10-25-2022

# Special Board of Directors Quarterly Meeting - Open Session Packet 10/25/2022

UC Hastings Board of Directors

# Special Meeting of the Board of Directors Open Session

University of California Hastings College of the Law
One Front Street San Francisco, CA 94111
Oct 25, 2022 3:00 PM - Oct 25, 2022 5:00 PM PDT

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**1. Roll Call**

Director Simona Agnolucci, Chair  Director Chip Robertson, Vice Chair  Director Shashi Deb Director Michael Ehrlich  Director Andrew Giacomini  Director Andrew Houston  Director Claes Lewenhaupt  Director Mary Noel Pepys  Director Courtney Power  Director Albert Zecher

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## 6. Adjournment

# By-Laws & Standing Order Review Committee Minutes

University of California Hastings College of the Law
November 4, 2021

Due to the COVID-19 pandemic, the meeting was held virtually, via the Zoom video conferencing platform. Participants and members of the public were able to join the meeting via the web link or dial-in numbers listed in the public notice of this meeting, which is available at https://repository.uchastings.edu/board_materials/.

1. Roll Call:

   The Chair called the meeting to order at 9:03 a.m., and the Secretary called the roll.

   Committee Members Present
   Director Courtney Power, Chair
   Director Albert Zecher

   Committee Members Absent
   Director Andrew Giacomini

   Other Directors Present
   Director Mary Noel Pepys

   Staff Participating
   Chancellor & Dean David Faigman
   General Counsel & Secretary to the Board John DiPaolo
   Assistant Chancellor & Dean/Chief of Staff to the Chancellor & Dean Jenny Kwon
   Provost & Academic Dean Morris Ratner
   Chief Financial Officer David Seward
   Associate General Counsel Laura Wilson-Youngblood

2. Public Comment

   The Chair invited public comment. No member of the public offered comment.

3. Action Item: Approval of Minutes: By-Laws and Standing Order Committee Meeting September 3, 2021

   **Motion:**
   The Chair called for a motion to approve the minutes.

   Motion made and motion seconded. The motion carried.

4. Discussion of proposed changes to By-Laws and Standing Orders

Director Pepys presented several possible changes to the draft By-laws and Standing Orders for discussion:

- Language of Standing Order 103.4 and whether the provision is to be applied retroactively;
- Inclusion in By-Laws of a provision for use of the unofficial College seal and/or the unofficial College name;
- Inclusion in the By-Laws of a provision for each Standing Committee that its recommendations to the Board be aligned with the College's strategic plan; and
- Combination of roles of the General Counsel and Secretary.

Chair Power said that the Committee did consider adding language to the By-Laws that the Standing Committees make recommendations in accordance with the College's strategic plan, but thought that it was too short-term to be included in the language of the document. In the Committee's view, recommendations in accordance with the College's strategic plan should be strongly encouraged and emphasized by the Board, but not mandated within the By-Laws. Mr. DiPaolo suggested that Director Pepys propose a motion to the Board that would direct committees of the Board and the Board itself to comply with the goals of the College's long-term strategic plan. Director Power proposed that compliance with the goals of the College's long-term strategic plan be a standing agenda item for every full Board meeting, and asked if the matter could be raised informally. Mr. DiPaolo replied that it could.

The Committee discussed whether Standing Order 103.4 should be applied automatically and retroactively. Mr. DiPaolo and Ms. Wilson-Youngblood presented on the history of the provision applied retroactively. The Committee decided that Standing Order 103.4 would be retroactive and automatic. Dean Faigman proposed a slight modification to the language in Standing Order 103.4 to "who have served", which Ms. Wilson-Youngblood will incorporate into the final version.

The Committee discussed By-Law 3 regarding use of the College's unoffical seal, and agreed that By-Law 3 should be amended to include a similar provision for use of the College's unofficial name. Ms. Wilson-Youngblood will incorporate that change in the final version.

The Committee discussed separate General Counsel and Secretary roles. Director Pepys noted that individuals have never served in those roles separately. Mr. DiPaolo indicated that the By-Laws currently allow flexibility on that point. Upon discussion, it was agreed that that would be maintained.

5. Action Item: Motion that Committee recommends revised By-Laws and Standing Orders to the Board for approval

**Motion:**
The Chair called for a motion that the Committee recommend that Board approve the version of the By-laws and Standing Orders presented at this meeting with the changes discussed at this meeting.

Motion made and motion seconded. The motion carried.

6. Adjournment

The Chair adjourned the meeting at 9:36 a.m.

Respectfully submitted,

________________________

John K. DiPaolo, Secretary

**ACTION ITEM**

1. **REPORT BY:** Finance Committee Chair Albert Zecher

2. **SUBJECT:** Presentation of the 2021-22 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, 2022, for UC Hastings College of the Law, the Hastings Campus Housing Finance Authority and the UC Hastings 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, 2022.

Attachments:
1. Moss Adams Presentation
2. UC Hastings FY22 Draft Financial Statements
3. UC Hastings FY22 C-260 Letter

MOSSADAMS

# 2022 Audit Results

Better Together: Moss Adams & UC Hastings College of the Law

# UC Hastings College of the Law

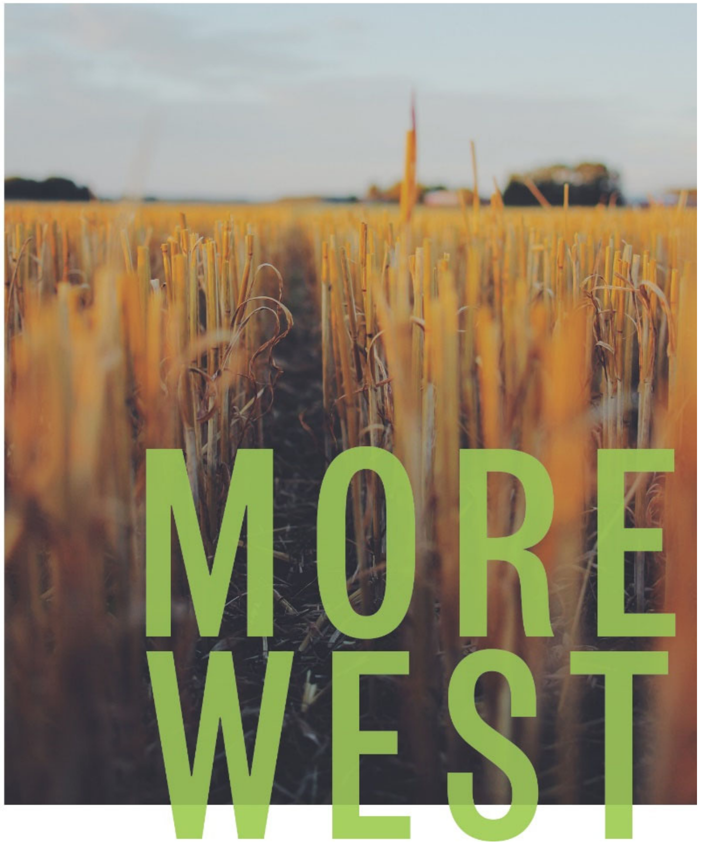
Dear Audit Committee and Board of Directors Members:

Thank you for your continued engagement of Moss Adams LLP. We are pleased to have the opportunity to meet with you to discuss the results of our audit of the financial statements and federal program compliance of UC Hastings College of the Law (the “College”), and the discretely presented component unit, the UC Hastings Foundation (the “Foundation”) as of and for the year ended June 30, 2022.

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 and the Foundation’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 and the Foundation’s personnel. We are pleased to serve and be associated with the College and the Foundation 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 and Reports
2. Communication with Those Charged with Governance
3. Recent Accounting Developments
4. Resources
5. About Moss Adams

# Auditor Opinions and Reports

# Auditor Report on the Financial Statement

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 (GAAP).

# Other Auditor Reports

| GAGAS Report on Internal Control Over Financial Reporting and on Compliance and Other Matters | 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 financial reporting findings<br>• No compliance findings | • No control findings<br>• No compliance findings |

# Communication with Those Charged with Governance

# Our Responsibility Under U.S. Generally Accepted Auditing Standards and *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 U.S. GAAP. However, our audit does not 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 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 are not required to design procedures for the purpose of identifying other matters to communicate to you.

COMMUNICATION WITH GOVERNING BODY

# Planned Scope & Timing of the Audit

It is 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 and was also included in the statement of work for the year ended June 30, 2022.

The audit was performed according to the planned scope and timing previously communicated.

# 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 that 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 is 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 the 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.

During the year ended June 30, 2022, the College and the Foundation adopted Governmental Accounting Standards Board Statement No. 87 – *Leases* under the retrospective approach. There were no other material changes to significant accounting policies for the year ended June 30, 2022.

We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.

COMMUNICATION WITH GOVERNING BODY

# 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 do not 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 leases receivable and leases deferred inflows of resources, and actuarially determined liabilities related to retirement benefits and retiree health benefits.

We deemed them to be reasonable.

COMMUNICATION WITH GOVERNING BODY

# 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 do not 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 8 to the financial statements.

Leases in Note 6 to the financial statements.

Long-term debt in Note 9 to the financial statements.

Actuarially determined liabilities related to retiree health benefits and retirement benefits in Note 12 and Note 13 to the financial statements.

COMMUNICATION WITH GOVERNING BODY

# 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.

# 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 material uncorrected misstatements to the financial statements for the College and for the Foundation.

# 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 and the Foundation are 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.

# Disagreements with Management

Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the College's and the Foundation's financial statements, or the auditor's report.

**OUR COMMENTS**

We are pleased to report that there were no disagreements with management.

COMMUNICATION WITH GOVERNING BODY

# 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 weakness:
  - None noted
- Significant deficiencies and noncompliance:
  - Nothing to communicate

COMMUNICATION WITH GOVERNING BODY

# 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 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.

**OUR COMMENTS**

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

COMMUNICATION WITH GOVERNING BODY

# 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 communication with those charged with governance, there have been no other significant communications.

# Management's Uncertainties Related to Events & 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 & Noncompliance with Laws and 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 are also required to communicate any noncompliance with laws and regulations involving senior management that come to our attention, unless clearly inconsequential.

**OUR COMMENTS**

We have not become aware of any instances of fraud or noncompliance with laws and regulations.

# Recent Accounting Developments

# New Standards

***PUBLIC-PRIVATE AND PUBLIC-PUBLIC PARTNERSHIPS AND AVAILABILITY PAYMENT ARRANGEMENTS***
[GASB No. 94]

- Improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs).
- Improves financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice.
- Enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.
- Effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

# New Standards

***SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS***
[GASB No. 96]

- Provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users (governments).
- 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 Statement No. 87, Leases, as amended.
- Effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

# Our Response to COVID-19

The COVID-19 pandemic has touched all aspects of our lives. We're here to guide you to the information and resources you need now and provide strategies for the changes to come. We'll support you as you rebuild and help you take advantage of rising opportunities.

## NAVIGATE

- Stay up to date with guidance and support to help combat uncertainty
- Reach out to your Moss Adams professional with any questions on the most current updates and advisements

**ARTICLE**

- How to Weather COVID-19 Market Volatility
- Strategies to Reduce Cybersecurity Risks
- Business Recovery Plans Prepare for Disruption
- Confront Reduced Operating Cash Flow

## REBUILD

- Strategize needs and be aware of what's to come
    - We'll connect you with the right resource, either within the greater Moss Adams team or through our various industry contacts
- Review Moss Adams announcements that provide tax and regulatory relief

**ALERTS**

- CARES Act Overview: Implications for Business Taxpayers
- CARES Act: Implications for Tax-Exempt Organizations
- New Tax Credit Opportunities for Employers Impacted by COVID-19

## THRIVE

- Take steps to bolster your workforce and organization
- Evaluate additional service needs, such as the following:

- Capital sourcing
- Cloud tools
- Cost segregation
- Enterprise resource planning
- Estate and succession planning
- Financial planning
- Forecasting
- IT security and cybersecurity
- Process improvement
- Outsourced finance accounting
- R&D tax credits
- Risk assessment
- State and local tax
- Transactions services

**HELPING YOU ADAPT TO UNCERTAIN TIMES**

Find more information and resources here: https://mossadams.com/covid-19-implications

# Resources

HIGHER EDUCATION AND NOT-FOR-PROFIT BOARDS

# Resources

### Association of Governing Boards
www.agb.org

### AICPA
www.aicpa.org/interestareas/notforprofit

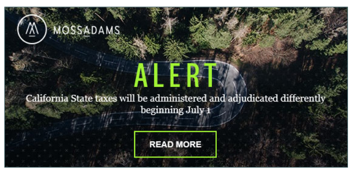
www.aicpa.org/interestareas/GovernmentalAuditQuality

### Boardsource
www.boardsource.org

INDUSTRY FOCUS

# 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 in the format that fits your life.




## Articles & Alerts

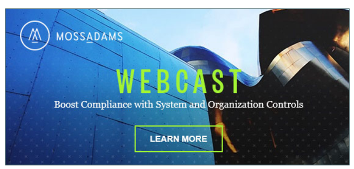
Industry-specific insight and important tax and assurance updates

**Not-for-Profit Newsletter**

*Our Not-for-Profit Newsletter is your resource for updates and insights on accounting, tax, and other topics.*

**How Tax Reform Could Impact Not-for-Profits**

*Understand the provisions of tax reform that could impact your organization.*




## Webcasts

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

**How Tax Reform Could Impact Tax-Exempt Organizations**

*Gain insight on key tax reform topics that are relevant to tax-exempt organizations, such as changes to fringe benefits and compensation, unrelated business income, and more.*


## Reports & Guides

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

**Financial Reporting Standards Guide**

*This guide provides an overview of the new financial reporting standards as well as a reporting checklist that serves as a helpful reference.*


## Survey

A visual look at not-for-profit trends to help your organization benchmark

**Not-for-Profit Survey Series**

*Our Not-for-Profit Survey Series delivers accurate information about industry trends to help you evaluate your organization's operations.*

# About
# Moss Adams

# 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

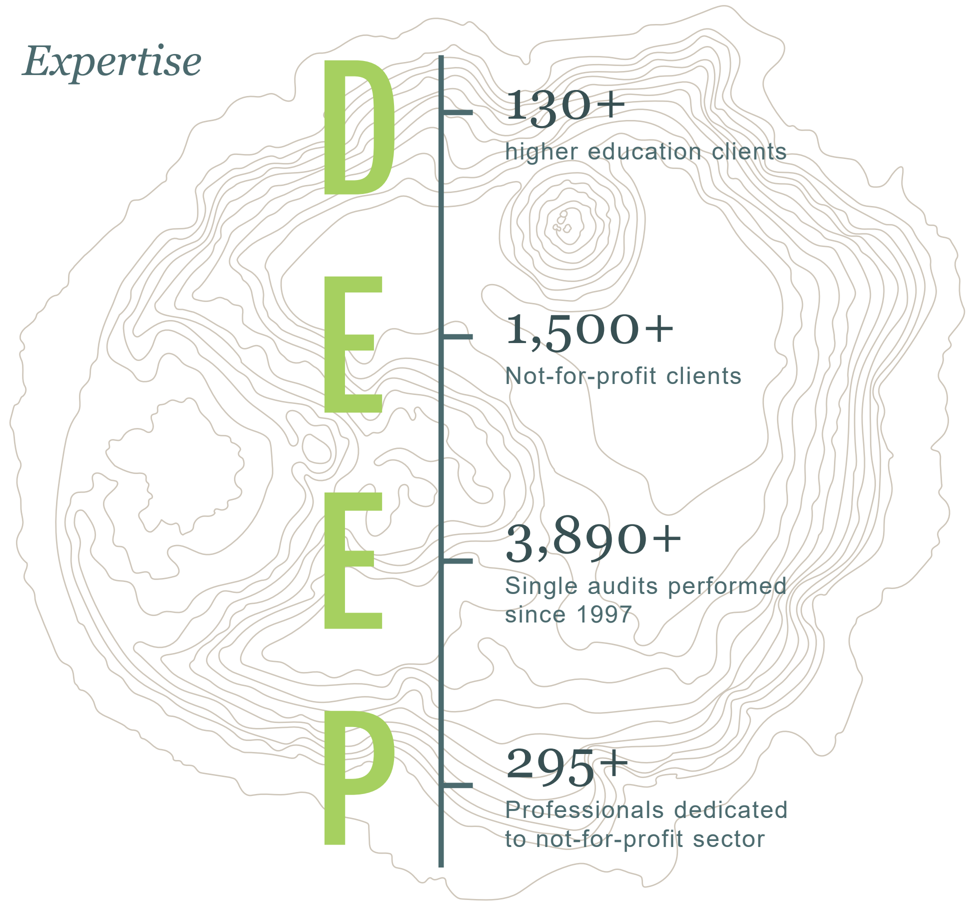
- Endowment management and investment consulting
- Fraud investigation and forensic accounting
- IT consulting
- Strategic business planning
- Sustainability services
- Systems Control & Operations Risk Evaluation (SCORE!)
- Wealth services

## 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

# About Moss Adams

*Expertise*




*Crater Lake—*
*A monument to perseverance, North America's deepest lake filled to 1,949 feet over 720 years.*

# The Moss Adams Foundation

The Moss Adams Foundation, created in 2000, provides funding and endowments to colleges and universities across the nation. Between 2000 and 2020, $12.9 million was donated by our Foundation for the purpose of supporting higher education and humanitarian causes. The leadership at Moss Adams recognizes that without higher education, there would be no Moss Adams.

*Reach*

W I D E

**$4M+**
higher education contributions matched by the Moss Adams Foundation from 2008–2020

**5,500+**
new staff and intern hires from 2008–2020

**125**
colleges and universities across the nation supported by Moss Adams

*Grand Canyon—*
*At 277 miles long and up to 18 miles wide, this icon serves as a testament to determination and time.*

# Advanced Technologies and Audit Innovation

We leverage advanced technologies to deliver increased effectiveness and efficiencies across our various practices.

| Kira | MindBridge | DataRobot | Data Visualization | BDMP |
|---|---|---|---|---|
| A machine learning tool that allows us to be smarter and more efficient in reviewing and analyzing documents for accuracy. | A platform used to uncover outliers and anomalous transactions for 100% of the transactions within general ledger data. | A tool which allows our professionals to develop predictive models that can provide additional risk-driven insights to our clients. | We've introduced technologies such as Tableau and Microsoft PowerBI within our engagement processes, resulting in advanced visualization of client data. | An advanced analytics tool that will research available technologies, test and evaluate each technology's ability to perform deep analysis of client data, and identify anomalies. |

# 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: 2021 Annual Report**

# Business Resource Groups

- ASIAN BUSINESS RESOURCE GROUP INCLUSION & DIVERSITY
- BLACK BUSINESS RESOURCE GROUP INCLUSION & DIVERSITY
- DISABILITY BUSINESS RESOURCE GROUP INCLUSION & DIVERSITY
- FORUM W BUSINESS RESOURCE GROUP INCLUSION & DIVERSITY
- LATINX BUSINESS RESOURCE GROUP INCLUSION & DIVERSITY
- PRIDE BUSINESS RESOURCE GROUP INCLUSION & DIVERSITY
- RACIAL EQUITY BUSINESS RESOURCE GROUP INCLUSION & DIVERSITY
- VETERANS BUSINESS RESOURCE GROUP INCLUSION & DIVERSITY

# Contact Us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# THANK YOU

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

**UC Hastings College**
**of the Law**

*June 30, 2022 and 2021*



MOSSADAMS

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# Report of Independent Auditors

To the Board of Directors
UC Hastings College of the Law

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of UC Hastings College of the Law (the "College" or "UC Hastings") and its discretely presented component unit, the UC Hastings Foundation (the "Foundation"), as of and for the years ended June 30, 2022 and 2021, 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 Hastings College of the Law and its discretely presented component unit, the UC Hastings Foundation, as of June 30, 2022 and 2021, 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 23, and the supplementary information on net retiree health benefits liability and net pension liability on pages 66 through 67 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 information 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 ___, 2022 on our consideration of UC Hastings College of the Law's and its discretely presented component unit, the UC Hastings 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 Hastings College of the Law's and its discretely presented component unit, the UC Hastings 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 Hastings College of the Law's and its discretely presented component unit, the UC Hastings Foundation's internal control over financial reporting and compliance.

San Francisco, California
October ___, 2022

# Management Discussion and Analysis (Unaudited)

The UC Hastings College of the Law (the "College" or "UC Hastings") presents its financial statements for fiscal year 2022 with comparative data presented for fiscal years 2021 and 2020. The emphasis of discussions concerning these statements will be for the fiscal years ended June 30, 2022 and 2021 (2022 and 2021, 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 Hastings 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 Hastings' 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 exercise of powers authority created in 2019 pursuant to a Joint Exercise of Powers Agreement between UC Hastings 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 Hastings. 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 in December 2017.

The Authority is governed by a seven-member board of directors, all appointed by the UC Hastings Board of Directors. Three of the seven-member governing board are the persons serving in the employment capacities of UC Hastings Chancellor and Dean, the Chief Financial Officer and the General Counsel of the College, unless the UC Hastings 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 Hastings Board of Directors. In addition, the UC Hastings Board of Directors has the discretion to remove any Authority Director with or without cause.

**THE UC HASTINGS FOUNDATION**

The UC Hastings 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 non-state 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*, is further clarified by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, 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 Hastings 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.

At the same time, the College has navigated and continues to manage unprecedented disruptions, including the pandemic and, more recently, staffing turnover that is impacting higher education more broadly. The College remains nimble as new opportunities and challenges emerge, some of which are discussed below.

**Enrollment**

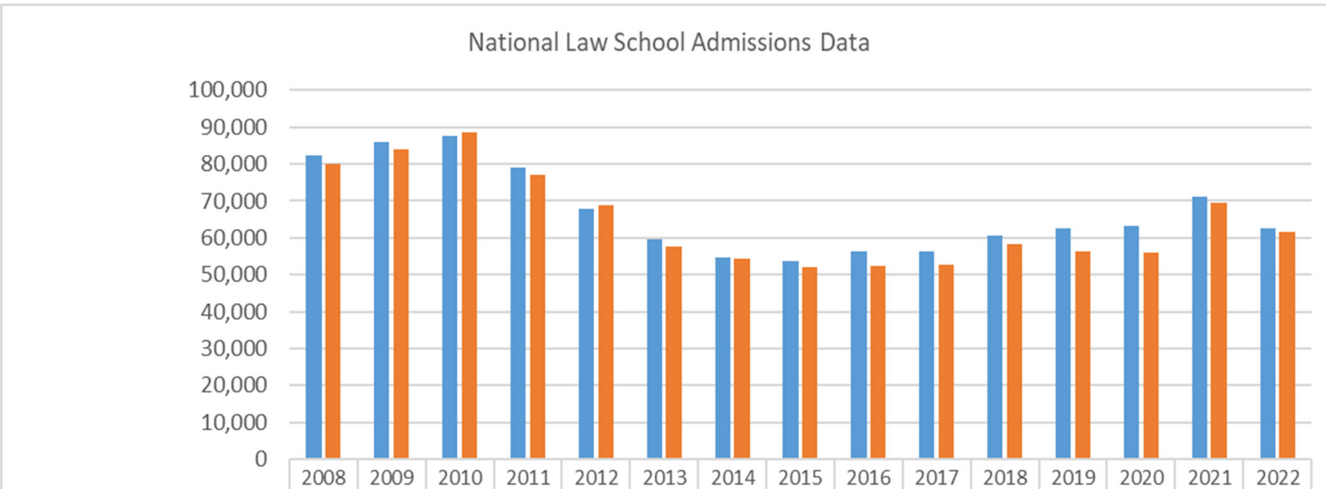
Following is the recruitment and enrollment summary for the JD, Transfer, MSL/CSL, LLM and HPL programs for the 2021-22 admission cycle. The data included is as of August 16, 2022, the first day of JD Orientation.

- **National Trends**

The national law school applicant pool for students starting law school in fall 2022 fell by 11.7% as compared to the 2020-21 admission cycle. Similarly, applications received at "Far West" (CA, NV, HI) law schools decreased by 11.2%, although interest in Far West law schools remains high with California alone receiving just under 14% of all applications submitted this cycle.

For fall 2021, the national application pool rose by 12.5%. There are many theories as to the reason behind the increase in applications [during the 2020-21 admission cycle], including a lack of entry-level employment opportunities caused by the pandemic; more time to study for the shorter, online LSAT Flex exam given restrictions on activities due to the pandemic; and the desire to earn a law degree and be part of national change in response to events that unfolded in 2020-21. While many of these reasons continue to exist, many law school admissions professionals believe that this year's decline is a return to the post-Lehman crash "normal" of law school admissions.

Following is a chart of national applicants to U.S. law schools and applications received by Far West law schools from the 2007-08 admission cycle through this most recent 2021-22 cycle.

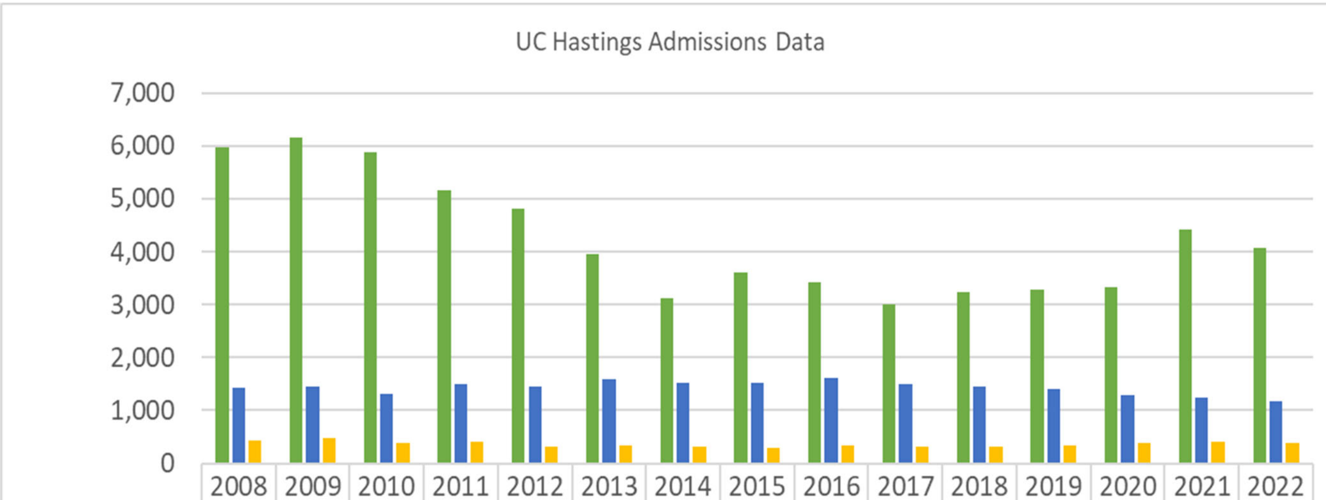



| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| National Applicants | 82,429 | 86,074 | 87,476 | 78,881 | 67,957 | 59,426 | 54,527 | 53,548 | 56,238 | 56,142 | 60,678 | 62,529 | 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 |

- **UC Hastings Enrollment**

During the 2021-22 admission cycle, despite an 11.7% decline nationally and an 11.2% decline in the Far West, UC Hastings experienced only a 7.8% decline in application volume from the prior year. Despite the decline, the UC Hastings application volume was still 18.4% higher than the 2019-2020 admission cycle. Based on survey results from incoming 1Ls this year, students continue to be attracted to UC Hastings because of our location in San Francisco and our ranking. Once admitted, our location, ranking, and scholarship offer remain the top three reasons for choosing to attend UC Hastings.

Following is a chart of UC Hastings applicants, admits, and enrolled students from the 2007-08 admission cycle through this most recent 2021-22 cycle.




| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Applicants | 5,982 | 6,149 | 5,881 | 5,167 | 4,811 | 3,948 | 3,118 | 3,613 | 3,416 | 3,009 | 3,234 | 3,280 | 3,319 | 4,415 | 4,069 |
| Admits | 1,429 | 1,453 | 1,323 | 1,491 | 1,442 | 1,594 | 1,523 | 1,521 | 1,619 | 1,487 | 1,453 | 1,394 | 1,283 | 1,238 | 1,178 |
| Enrolled | 426 | 469 | 383 | 414 | 317 | 331 | 323 | 292 | 346 | 326 | 313 | 349 | 386 | 398 | 395 |

Applicants Admits Enrolled

- **Enrollment Results**

Following are the application and enrollment results for academic year 2022 as compared to figures from the 2020 and 2021 admissions cycles:

| JD | 2020-21 | 2021-22 | 2022-23* |
|---|---|---|---|
| **Applicants** | 3,319 | 4,415 | 4,069 |
| **Admits** | 1,283 | 1,238 | 1,178 |
| **Admit Rate** | 38.66% | 28.04% | 28.95% |
| **Tuition Discount Rate** | 32.58% | 29.00% | 32.66% |
| **Net Tuition Revenue** (approx.) | $11.26 million | $12.29 million | $11.81 million |
| **Enrolled** | 387 | 398 | 393 |
| **Yield** | 30.16% | 32.15% | 33.36% |
| **LSAT (75/50/25)** | 161/158/155 | 162/160/157 | 163/160/157 |
| **UGPA (75/50/25)** | 3.61/3.42/3.22 | 3.68/3.52/3.29 | 3.75/3.59/3.39 |
| **Deferrals to Next Fall** | 19 | 37 | 29 |

* As of August 16, 2022, 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 Hastings for the academic years 2017 through 2021 was as follows:

| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|---|
| JD | 929.1 | 933.3 | 929.7 | 981.7 | 1,077.2 |
| LLM | 23.6 | 21.3 | 20.8 | 9.2 | 25.8 |
| MSL | 3.2 | 2.3 | 9.8 | 16.8 | 14.6 |
| Visitor/Other | 3.0 | 2.0 | 2.0 | 1.9 | 8.1 |
| **Total** | **958.9** | **958.9** | **962.3** | **1,009.6** | **1,125.7** |

**Student Outcomes and Success**

As indicated in Figures 1 and 2, below, UC Hastings has experienced a sustained turnaround on bar passage since 2016 and has steadily improved employment outcomes year-over-year.

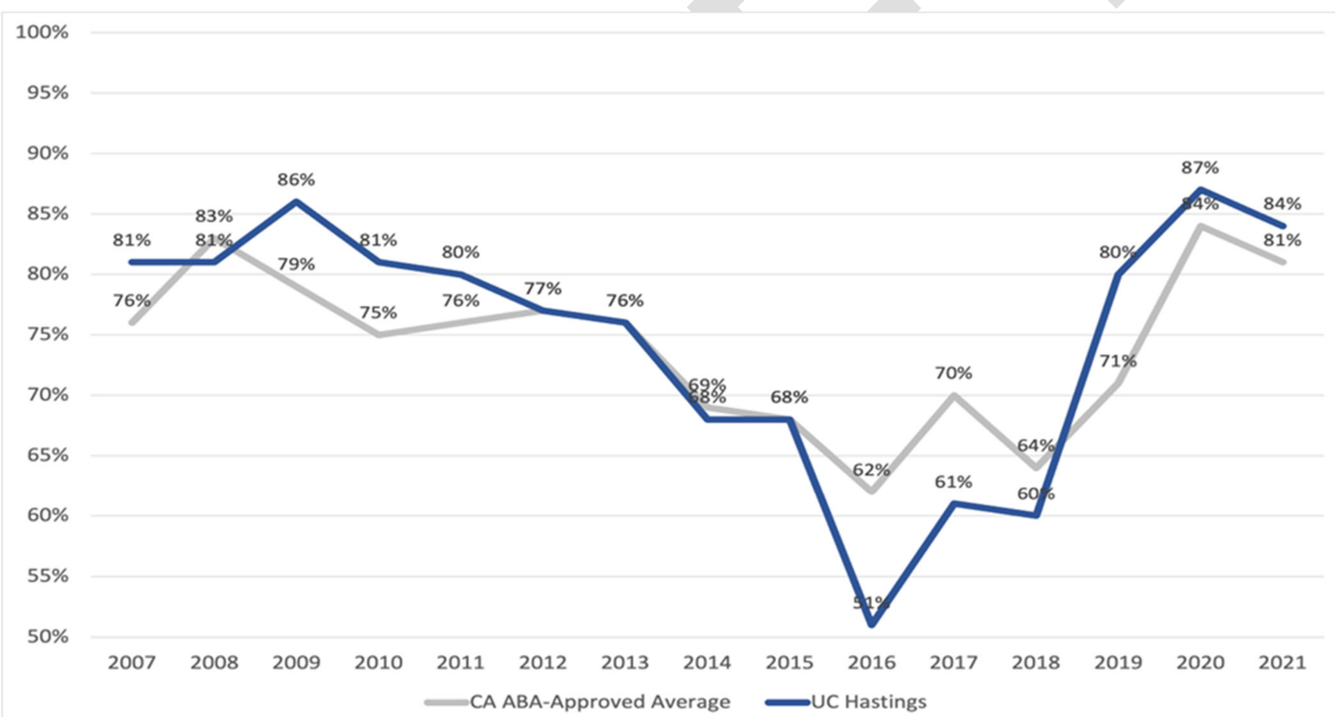


Figure 1: Bar Outcomes

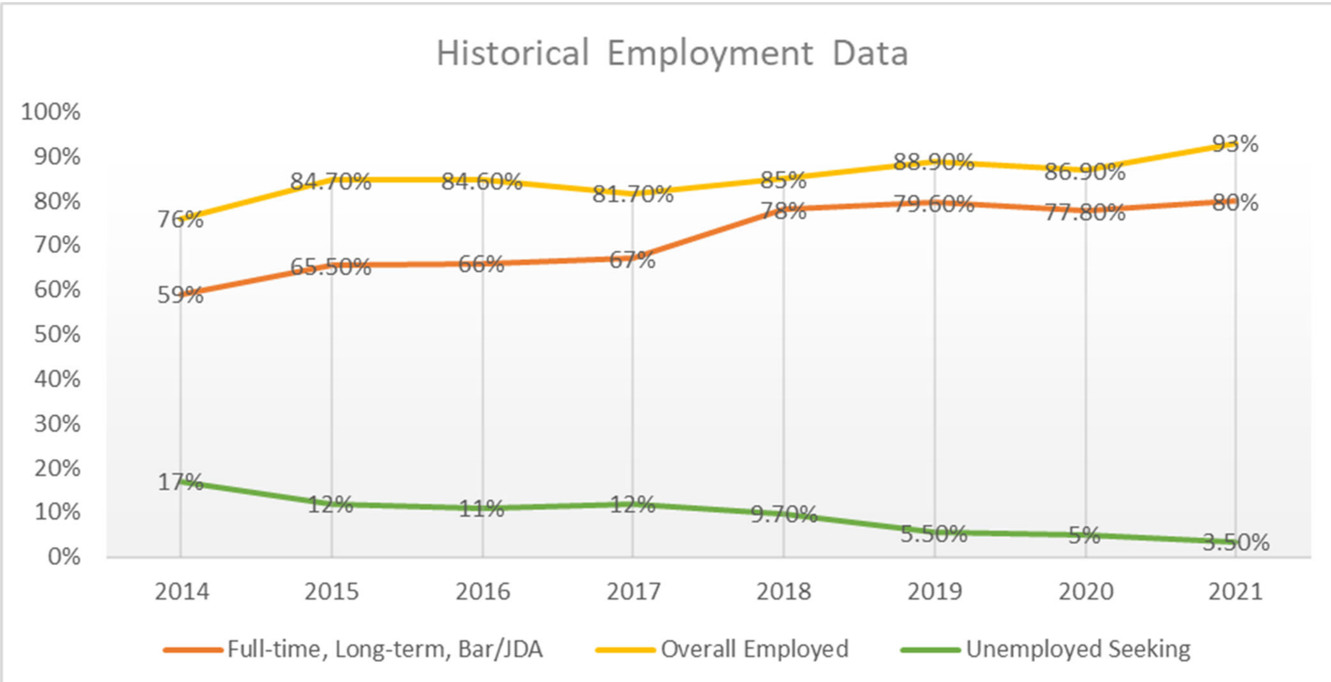



Figure 2: Employment Outcomes

**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 of a mixed-use campus housing facility at 198 McAllister.

- The Academe at 198 - Campus Housing Project

  UC San Francisco ("UCSF") and UC Hastings have commenced a unique collaboration that will soon provide below-market housing for students, trainee and other eligible tenants who want to live in San Francisco on a campus setting.

  With the opening of the Academe at 198, a 14-story, 665-unit building located at 198 McAllister in July of 2023, UC Hastings and UCSF graduate students, post-doctoral scholars, residents, and fellows will be among the first residents and will be able to select from a number of furnished units that range from efficiencies to two-bedroom apartments.

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 air conditioning. 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. Residents will also have access to the UC Hastings 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 is scheduled for occupancy by July 1, 2023. Greystar is responsible for the contractor schedule and for notifying the Hastings Campus Housing Finance Authority of any delays in project delivery. The work is progressing but due to supply chain issues, schedule slippage is occurring. A comprehensive schedule assessment is set for November 2022 when the efficacy of schedule mitigations and assurances of accelerated materials delivery can be verified. Once completed, any changes to the contracted June 30, 2023 delivery date will be formally communicated.

- Ongoing Support from the State of California Remains Strong

General Fund support for operations in the Budget Act of 2021 represented an increase of $8.6 million or 59% over the prior year. The table below summarizes year-over-year change:

| Item | 2021-2022 | 2022-2023 | Dollar Change | % Change |
|---|---|---|---|---|
| Ongoing General Fund Support | $ 16,789,000 | $ 18,789,000 | $ 2,000,000 | 11.9% |
| 100 McAllister Renovation & Seismic Upgrade Project | - | 90,000,000 | 90,000,000 | N/A |
| Renaming Costs | - | 885,000 | 885,000 | N/A |
| Alternative Public Safety Program (3-year funding package) | 3,000,000 | - | (3,000,000) | -100.0% |
| California Institute on Law, Neuroscience & Education | 3,500,000 | - | (3,500,000) | -100.0% |
| State General Fund Operations | 23,289,000 | 109,674,000 | 86,385,000 | 370.9% |
| 333 Golden Gate Lease-Revenue Rent Payment | 3,096,000 | 3,089,000 | (7,000) | -0.2% |
| Total State General Fund Appropriation | $ 26,385,000 | $ 112,763,000 | $ 86,378,000 | 327.4% |

- Fundraising and Institutional Advancement

The Foundation received and transferred to the College $12.3 in total contributions in 2022, 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.

- Events Relating to COVID-19

  For academic year 2021-22, UC Hastings reinstituted on campus instruction for all classes from remote teaching and implemented other policies, practices and procedures that allowed the instructional program to continue to deliver educational content, conduct final examinations and for its graduating class, certify their standing to take the bar exam. Classes were resumed on-line on a temporary basis for a three-week period in January 2022 due to the resurgent Omicron variant.

**Financial Position**

The narrative detailing UC Hastings' 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 2022 and 2021. The purpose of the statements of net position is to present to the reader a fiscal snapshot of UC Hastings. 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 – 2022, 2022, and 2021 (in thousands)**

| | College | Foundation | 2022 Total | 2021 Total (As Restated) | 2020 Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current assets | $ 11,476 | $ 1,070 | $ 12,546 | $ 13,915 | $ 17,791 |
| Noncurrent assets | 620,265 | 1,542 | $ 621,807 | 636,842 | 247,990 |
| Total assets | 631,741 | 2,612 | 634,353 | 650,757 | 265,781 |
| Deferred outflows of resources | 20,752 | - | 20,752 | 16,600 | 27,023 |
| Total assets and deferred outflows of resources | $ 652,493 | $ 2,612 | $ 655,105 | $ 667,357 | $ 292,804 |
| **LIABILITIES** | | | | | |
| Current liabilities | $ 32,568 | $ - | $ 32,568 | $ 34,224 | $ 22,643 |
| Noncurrent liabilities | 516,934 | - | $ 516,934 | 500,485 | 168,585 |
| Total liabilities | 549,502 | - | 549,502 | 534,709 | 191,228 |
| Deferred inflows of resources | 33,462 | - | 33,462 | 45,148 | 23,490 |
| **TOTAL NET POSITION** | | | | | |
| Net investment in capital assets | 76,620 | - | 76,620 | 77,270 | 77,104 |
| Restricted: | | | | | |
| Nonexpendable | 25,548 | 179 | 25,727 | 28,805 | 25,327 |
| Expendable | 1,669 | 1,911 | $ 3,580 | 19,337 | 30,806 |
| Unrestricted | (34,308) | 522 | $ (33,786) | (37,912) | (55,151) |
| Total net position | 69,529 | 2,612 | 72,141 | 87,500 | 78,086 |
| Total liabilities, deferred inflows of resources, and net position | $ 652,493 | $ 2,612 | $ 655,105 | $ 667,357 | $ 292,804 |

## Assets

For 2022, 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 $822,000 (33.5%) and a decrease of current pledge receivables by $519,000 (35.1%) which are related to large balances outstanding at year end 2021 for the Building UC Hastings fundraising effort and the planned paydown of the Cotchett pledge which occurred in 2022.

For 2021, current assets decreased by $4.0 million (22.2%). Cash and cash equivalents decreased from $11.5 million to $6.3 million (45.8%) as more online services were adopted in light of the campus going remote due to COVID-19, additionally a $1.5 million transfer was made to the endowment for gifts received during the year. Restricted cash and cash equivalents increased by $1.3 million due to the addition of the Authority. In addition, accounts receivable, net decreased by $0.2 million (6.6%). The current portion of pledges receivable, net decreased by $1.0 million (38.9%) due to collections on several large pledges to the Foundation received in 2020. Prepaid expenses increased by $0.4 million (37.0%) mainly due to the purchase and prepayment of additional online services.

For 2022, noncurrent assets decreased by $15.0 million (2.4%) compared to 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. This financial statement impact for this reconsolidation was a decrease of $4.7 milllion.

For 2021, noncurrent assets increased by $389.0 million (156.9%) compared to the prior year. The primary reason for this increase was due to the addition of the Authority for $306.0 million as well as improved performance of the investment portfolio which saw unrealized gains of $27.1 million.

UC Hastings 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 Short Term Investment Pool (“STIP”).

- The GEP experienced total returns of -7.56% in 2022 compared to total returns of 33.7% in 2021. Over time, funds managed by the University of California have performed well with average annualized returns of 9.08% over three years, 8.86% over five years and 9.15% 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 (6.64% over three years, 6.83% over five years and 7.4% over ten years).

- The STIP experienced total returns of 0.4% in 2022 compared to 1.0% in 2021.
- Total market value of all funds managed on the behalf of the College by UC Investments increased to $125.3 million as of June 30, 2022, from $124.2 million as of June 30, 2021, an increase of $1.1 million (0.9%) for the College and the Foundation.

| | 2022 | 2021 | Dollar Change | % Change |
|---|---|---|---|---|
| Endowment Fund (GEP) | $ 49,760,768 | $ 48,401,229 | $ 1,359,539 | 2.8% |
| Operating Fund (GEP) | 64,797,831 | 60,330,838 | 4,466,993 | 7.4% |
| Endowed Funds Held by Regents | 10,114,991 | 11,271,328 | (1,156,337) | -10.3% |
| Cash Pool - STIP | 661,880 | 4,196,241 | (3,534,361) | -84.2% |
| Total | $ 125,335,470 | $ 124,199,636 | $ 1,135,834 | 0.9% |

**Liabilities**

For 2022, the College and the Foundation, current liabilities decreased by $1.7 million (4.8%) 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 prior year.

For 2021, current liabilities increased by $11.6 million (51.1%) compared to the prior year. Included in this is Accounts payable and accrued liabilities which increased by $11.3 million (65.3%) from the prior year. This increase is attributed to operating activities for the Hastings Campus Housing Finance Authority.

For 2022, noncurrent liabilities increased by $16.4 million (3.3%) compared to 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.

For 2021, noncurrent liabilities increased by $331.9 million (196.9%) compared to the prior year. The primary driver of this increase was the addition of the Authority for $364.0 million partially offset by a reduction of pension liability by $28.2 million. The computation of pension liability was largely a function of the beneficial impact of positive investment returns on the actuarial valuation of assets.

**Deferred Outflows and Inflows of Resources**

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

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Deferred outflows of resources | $ 20,752,200 | $ 16,600,586 | $ 27,022,973 |
| Deferred inflows of resources | $ 33,461,854 | $ 45,147,754 | $ 23,489,614 |

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 75, Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* ("GASB 71"). 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 for by Segal Consulting Report dated September 13, 2022, as commissioned by the University of California Controller's Office.

The 2022 amount in deferred inflows of resources also reflects the $1.6 million fair value of the College's beneficial interest in a remainder trust as well as $3.1 million for operating lease right of use assets. 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 right of use assets, the revenue will be recognized over the term of the operating lease.

**NET POSITION**

For 2022, nonexpendable restricted net assets – the corpus of endowed funds – decreased by $3.1 million (10.7%) compared to 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 2021, nonexpendable restricted net assets – the corpus of endowed funds – increased by $3.5 million (13.7%) compared to prior year.

For 2022, expendable restricted net assets decreased by $15.8 million (81.5%) from prior year of which the primary driver is capital projects related to the construction of building 198 McAllister. For 2021, expendable restricted net assets decreased by $11.5 million (37.2%) due primarily to capital projects related to the Authority offset by increased market gains of the endowment related to instruction and research.

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 is in contrast to restricted net position that is assigned to specific purposes.

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. For 2021, the unrestricted net position of the College and its Foundation increased by $17.2 million (31.3%) compared to the prior year. This increase is mainly attributed to the market gains in 2021 compared to 2020 which was the start of COVID-19.

**Results of Operations**

The Statements of Revenues, Expenses, and Changes in Net Position present UC Hastings' operating results, as well as the non-operating 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 non-operating revenues, operating expenses will always exceed operating revenues resulting in an operating loss. Net non-operating revenues or expenses are an integral component in determining the increase or decrease in net position.

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 non-operating 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 non-operating revenues). The major driver for the change in performance between 2022 and 2021 is 2022 experienced total investment returns of negative -7.56% compared to total returns of positive 33.7% in 2021.

### Condensed Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2022, 2021, and 2020 (in thousands)

| | 2022 Operating | | 2022 Non-operating | | Gifts Transferred from Foundation | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|---|---|---|
| | College | Foundation | College | Foundation | To College | Total | Total<br>(As Restated) | Total |
| **REVENUES** | | | | | | | | |
| Tuition and fees, net of grants and scholarships | $ 31,035 | $ - | $ - | $ - | $ - | $ 31,035 | $ 27,392 | $ 25,859 |
| State appropriations | - | - | 31,072 | - | - | 31,072 | 18,674 | 16,474 |
| Grants and contracts | 4,667 | - | - | - | - | 4,667 | 4,289 | 2,789 |
| Auxiliary enterprises | 8,247 | - | - | - | - | 8,247 | 5,321 | 8,626 |
| Private gifts | - | 11,492 | 10,458 | - | (11,287) | 10,663 | 5,270 | 11,357 |
| Block grant - allocation from Foundation | - | - | 1,000 | - | (1,000) | - | - | - |
| Investment income | - | - | 1,712 | - | - | 1,712 | 1,611 | 444 |
| Realized/unrealized (loss) gain on investments | - | - | (8,712) | (35) | - | (8,747) | 26,493 | 3,584 |
| Other revenues | 3,055 | 86 | - | - | - | 3,141 | 3,521 | 759 |
| Loan interest, net of expense | 11 | - | - | - | - | 11 | 16 | 23 |
| Total revenues | 47,015 | 11,578 | 35,530 | (35) | (12,287) | 81,801 | 92,587 | 69,915 |
| **EXPENSES** | | | | | | | | |
| Salaries and benefits | 45,119 | - | - | - | - | 45,119 | 38,975 | 48,677 |
| Auxiliary enterprises | 6,619 | - | - | - | - | 6,619 | 5,735 | 5,827 |
| Utilities | 954 | - | - | - | - | 954 | 818 | 1,073 |
| Supplies and services | 17,889 | 20 | - | - | - | 17,909 | 19,858 | 14,237 |
| Depreciation | 3,366 | - | - | - | - | 3,366 | 3,150 | 2,008 |
| Scholarships and fellowships | 637 | - | - | - | - | 637 | 371 | 597 |
| Grants to UC Hastings | 12 | 12,287 | - | - | (12,287) | 12 | 26 | - |
| Interest on debt | - | - | 20,262 | - | - | 20,262 | 16,316 | 556 |
| Events | - | 5 | - | - | - | 5 | 5 | 3 |
| Other | 1,177 | - | - | - | - | 1,177 | 2,957 | 1,768 |
| Total expenses | 75,773 | 12,312 | 20,262 | - | (12,287) | 96,060 | 88,211 | 74,746 |
| (Loss) income | $ (28,758) | $ (734) | $ 15,268 | $ (35) | $ - | $ (14,259) | $ 4,376 | $ (4,831) |
| **OTHER CHANGES IN NET POSITION** | | | | | | | | |
| Capital grants and gifts | $ - | $ - | $ - | $ - | $ - | $ 584 | $ 894 | $ - |
| Endowed gifts, capital campaign | - | - | - | - | - | - | - | 1,042 |
| Changes in allocation for pension payable to University of California | - | - | - | - | - | 758 | 494 | 362 |
| Reclassification of restricted net position to a liability (termination of Federal Perkins Loan Program) | - | - | - | - | - | - | 25 | (2,533) |
| Other changes in endowments | - | - | - | - | - | (2,442) | 3,625 | 779 |
| Total other changes in net position | - | - | - | - | - | (1,100) | 5,038 | (350) |
| (Decrease) increase in net position | $ (28,758) | $ (734) | $ 15,268 | $ (35) | $ - | $ (15,359) | $ 9,414 | $ (5,181) |



### Revenues

The College's instructional program is primarily supported by a combination of net tuition and fees and state appropriations; for 2022, these revenues represented 69.4% of total operating and non-operating 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 2022 from $27.4 million in 2021 to $31.0 million in 2022, an increase of $3.6 million (13.3%). 2022 enrollment roughly conformed to planned levels at a total of approximately 1,125.7 FTE's, up from the 2021 enrollment of approximately 1,009.6 FTE's. For 2022, the College's overall discount rate was 29%, which is down from the 2021 overall discount rate of 32.6%.Tuition discounting has historically ranged between 28% – 31% driven in large measure by state policy regarding return-to-aid.

State appropriations increased from $18.7 million in 2021 to $31.1 million in 2022 (an increase of $12.4 million, 66.4%). This increase is attributed to $4.5 million for the California Scholars program, $3.5 million for the Bench to School initiative and $3.0 million to augment our safety budget for Urban Alchemy. Additionally, the General Fund on-going appropriations increased by $1.4 million in 2021-22 compared to 2020-21.

In 2022, auxiliary enterprises saw a net income of $1.6 million. This is up $2 million compared to the net loss in 2021 of -$0.4 million. The 2021 net loss is due to disruptions caused by the COVID-19 pandemic. When looking at comparable figures of $2.8 million and $3.8 million in income for 2020 and 2019, respectively, 2021 is an outlier. Continuing on with 2022 and going forward, income from auxiliary enterprises is expected to help with the College's bottom line.

The GEP experienced total returns of -7.56% in 2022. This level of market performance generated realized and unrealized losses of -$8.7 million.

Cultivating alumni support and private foundation support continues to be a priority. In 2022, the UC Hastings Foundation raised and transferred to the College $10.7 million in restricted gifts and $800,000 in unrestricted gifts. This is up from $3.7 million in restricted gifts and $1.6 million in unrestricted gifts raised and transferred in 2021. The large increase from prior year is due to a major contribution provided by the Mary Kay Kane Foundation. 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 Hastings Foundation continues to play an essential role in leveraging the College's most valuable assets, its strong alumni base.

**Expenses**

For 2022, the College's total operating expense increased by $4.3 million from $71.5 million in 2021 to $75.8 million in 2022. The primary driver for this increase was the pension benefits which was $7.3 million in 2022 compared to $2.4 million in 2021. 2021 had a significantly lower pension benefits expense due to large investment returns on the underlying assets of the pension that year.

For 2022, the College's interest expense is up by $4.0 million from $16.3 million in 2021 to $20.3 million in 2022. The primary driver of this increase is the debt service fees for the Authority. Since 2021 was the first year the Authority was established, one of the interest payments that year was a partial payment. Compare that to 2022, where both payments were for a full six months of interest.

As shown in the 2022 Condensed Statement of Revenues, Expenses, and Changes in Net Position, the College and the Foundation finished the fiscal year with a net loss of -$13.5 million (before a decrease of $1.1 million in other changes in net position for a total decrease in net assets of -$14.6 million). The major driver for this change being investment returns of negative -7.56% in 2022 compared to investment returns of positive 33.7% in 2021.

**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) | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 |
| | | (As Restated) | | | | |
| Cash provided (used) by | | | | | | |
| Operating activities | $ (26,908) | $ (28,619) | $ (16,096) | $ (47) | $ 15 | $ (44) |
| Non capital financing activities | 42,296 | 23,321 | 25,373 | - | - | - |
| Capital and related financing activities | (82,794) | (57,040) | (13,638) | - | - | - |
| Investing activities | 67,206 | 58,378 | 1,656 | 25 | 24 | 89 |
| Net (decrease) increase in cash | (200) | (3,960) | (2,705) | (22) | 39 | 45 |
| **CASH**, beginning of year | 7,558 | 11,518 | 14,223 | 130 | 91 | 46 |
| **CASH**, end of year | $ 7,358 | $ 7,558 | $ 11,518 | $ 108 | $ 130 | $ 91 |

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 Hastings Law 2025. This new plan is a blueprint to ensure that UC Hastings 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 2022-23**

In June of 2022, the State of California's Governor signed the Budget Act of 2022. The approved budget continues our partnership with the State of California and provides significant additional support to implement the Academic Village with a General Fund grant of $90 million for the renovation and seismic strengthening of McAllister Tower.

The table below summarizes year-over-year growth:

| Item | 2021-2022 | 2022-2023 | Dollar Change | % Change |
|---|---|---|---|---|
| Ongoing General Fund Support | $ 16,789,000 | $ 18,789,000 | $ 2,000,000 | 11.9% |
| 100 McAllister Renovation & Seismic Upgrade Project | - | 90,000,000 | 90,000,000 | N/A |
| Renaming Costs | - | 885,000 | 885,000 | N/A |
| Alternative Public Safety Program (3-year funding package) | 3,000,000 | - | (3,000,000) | -100.0% |
| California Institute on Law, Neuroscience & Education | 3,500,000 | - | (3,500,000) | -100.0% |
| State General Fund Operations | 23,289,000 | 109,674,000 | 86,385,000 | 370.9% |
| 333 Golden Gate Lease-Revenue Rent Payment | 3,096,000 | 3,089,000 | (7,000) | -0.2% |
| Total State General Fund Appropriation | $ 26,385,000 | $ 112,763,000 | $ 86,378,000 | 327.4% |

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 Hastings' 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. A video overview of the capital plan for UC Hastings is available at https://www.uchastings.edu/2020/08/03/academic-village-narrated-fly-through/

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 Hastings campus for students from multiple undergraduate and graduate 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 Hastings 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) with the exception of the 202-247 Golden Gate Avenue sites. UC Hastings 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 – 333 Golden Gate Avenue: Completed March 2020
2. Campus Housing & Academic Building – 198 McAllister Street: Construction begun in September 2020
3. Campus Housing & Academic Building: Seismically Upgrade Historic McAllister Tower and Great Hall – 100 McAllister Street (2023 – 2025)
4. Campus Expansion: Campus Housing and Academic Building – 202-247 Golden Gate Avenue, Local 2/Unite Here (Option Agreement)

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.

Further, with the State of California's grant, project development and planning can commence for the renovation and seismic strengthening of McAllister Tower and full construction can commence upon occupancy stabilization at the Academe at 198, the new 665-unit housing facility at 198 McAllister in 2024 or 2025.

- **Renaming the School – College of the Law, San Francisco**

UC Hastings is the only law school established by statute (Education Code 92200 et seq.). The school's unique status and its affiliation with the University of California exists pursuant to conditions established by the Legislature when the College was founded in 1878. The statutes read, "The law college founded and established by S. C. Hastings shall forever be known and designated as the Hastings College of the Law" and "The college is affiliated with the University of California and is the law department thereof."

In 2017, the Chancellor and Dean of the College initiated an examination of the involvement of the College's namesake, S.C. Hastings, in the mass killings of Native Americans in California's Eden and Round Valleys in the 1850's. To carry out this examination, the Chancellor and Dean appointed a Committee, the Hastings Legacy Review Committee, to report its findings and make recommendations regarding a path forward.

In response to the findings provided by the Chancellor and Dean and the Hastings Legacy Review Committee, the Board of Directors at its September 11, 2020 meeting voted unanimously to prioritize the College's restorative justice work with the Round Valley Indian Tribes (RVIT) and Yuki Tribal members, the tribe most impacted by Serranus Hastings' actions. This work included, among other things, the establishment of an Indigenous Law Center at UC Hastings, setting aside space in the College's main lobby to commemorate the Yuki people and their history, funding summer fellowships for law students to provide pro bono legal support to tribal communities, and establishing trust and friendship between the College's community and the Indigenous Tribes of Round Valley to further pursue collaborative restorative justice efforts. Throughout this time, the College and Round Valley representatives had continuing conversations about additional restorative justice opportunities, as well as the issue of removing the College's namesake from the school.

Subsequently, and following substantial national attention brought to the actions of Serranus Hastings in October 2021, the College's Board of Directors at its November 2, 2021 meeting voted to work with state lawmakers to eliminate the name, Hastings College of the Law.

On July 27, 2022, after months of meetings and town halls with constituents, the College's Board of Directors voted unanimously to change the College's name in statute from Hastings College of the Law to College of the Law, San Francisco.

Given that the provision for the College's name is written within California's education code, removing the Hastings name from the College required legislation. AB 1936 eliminates the statutory requirement that the College shall forever be known as the "Hastings" College of the Law and established a consultative process to select a new name with the tribal entities most effected by Judge Hastings' actions. AB 1936 was passed by the Assembly and Senate and was signed by the Governor on September 23, 2022, and will become effective on January 1, 2023. Rebranding and communicating the institution's new name, College of the Law, San Francisco, will be a major focus going forward.

# Financial Statements

# UC Hastings College of the Law
## Statements of Net Position
## June 30, 2022 and 2021

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | College | Foundation | College (As Restated) | Foundation |
| **ASSETS** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | $ 5,704,885 | $ 108,673 | $ 6,133,081 | $ 130,168 |
| Restricted cash and cash equivalents | 1,653,391 | - | 1,424,903 | - |
| Accounts receivable, net | 1,629,274 | - | 2,451,466 | - |
| Current portion of notes receivable | 101,889 | - | 103,310 | - |
| Current portion of leases receivable | 573,210 | - | 643,205 | - |
| Pledges receivable, net | - | 961,014 | - | 1,480,185 |
| Prepaid expenses and other assets | 1,813,556 | - | 1,537,005 | 11,326 |
| Total current assets | 11,476,205 | 1,069,687 | 12,292,970 | 1,621,679 |
| Noncurrent assets | | | | |
| Endowment investments | 49,192,479 | 567,976 | 47,774,167 | 627,062 |
| Other long-term investments | 291,626,167 | 5,409 | 367,149,351 | 5,855 |
| Notes receivable, net | 379,864 | - | 470,404 | - |
| Leases receivable, net | 2,831,731 | - | 2,376,423 | - |
| Pledges receivable, net | - | 969,172 | - | 1,194,378 |
| Assets held by others | 8,605,874 | - | 14,398,163 | - |
| Capital assets, net | 267,517,711 | - | 202,727,723 | - |
| Prepaid expenses and other assets | 111,355 | - | 118,700 | - |
| Total noncurrent assets | 620,265,181 | 1,542,557 | 635,014,931 | 1,827,295 |
| Total assets | 631,741,386 | 2,612,244 | 647,307,901 | 3,448,974 |
| Deferred outflows of resources | $ 20,752,200 | $ - | $ 16,600,586 | $ - |
| **LIABILITIES** | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | $ 25,978,910 | $ - | $ 28,603,179 | $ - |
| Compensated absences | 1,893,523 | - | 1,764,003 | - |
| Deposits | 256,990 | - | 278,454 | - |
| Unearned revenues | 1,983,736 | - | 1,208,772 | 68,125 |
| Current portion of long-term debt | 2,455,335 | - | 2,301,474 | - |
| Total current liabilities | 32,568,494 | - | 34,155,882 | 68,125 |
| Noncurrent liabilities | | | | |
| Long-term debt, net | 431,534,616 | - | 434,460,482 | - |
| Accreted interest on bonds payable | 2,504,913 | - | 570,909 | - |
| Revolving fund advance from the State | 811,900 | - | 811,900 | - |
| Pension liability, net | 35,343,000 | - | 11,772,000 | - |
| Retiree Health Benefits liability, net | 36,012,000 | - | 42,608,000 | - |
| Payable to University of California | 10,727,684 | - | 10,262,118 | - |
| Total noncurrent liabilities | 516,934,113 | - | 500,485,409 | - |
| Total liabilities | 549,502,607 | - | 534,641,291 | 68,125 |
| Deferred inflows of resources | $ 33,461,854 | $ - | $ 45,147,754 | $ - |

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | College | Foundation | College (As Restated) | Foundation |
| **NET POSITION** | | | | |
| Net investment in capital assets | $ 76,620,002 | $ - | $ 77,270,152 | $ - |
| Restricted for | | | | |
| Nonexpendable | | | | |
| Scholarships and fellowships | 16,658,869 | - | 21,004,867 | - |
| Instruction and research | 7,699,272 | - | 7,371,524 | - |
| Institutional support | 1,190,000 | 178,755 | 250,000 | 178,755 |
| Sub-total restricted, nonexpendable | 25,548,141 | 178,755 | 28,626,391 | 178,755 |
| Expendable | | | | |
| Student services | 371,779 | - | 83,628 | - |
| Instruction and research | 13,091,439 | - | 13,230,126 | - |
| Public and professional services | 300,034 | - | 180,344 | - |
| Institutional support | 252,574 | 1,911,586 | 446,140 | 2,496,860 |
| Capital projects | (34,363,762) | - | (17,817,732) | - |
| Scholarships and fellowships | 21,820,301 | - | 20,499,530 | - |
| Perkins loan funds | 10,346 | - | 9,730 | - |
| Other | 185,975 | - | 208,079 | - |
| Sub-total restricted, expendable | 1,668,686 | 1,911,586 | 16,839,845 | 2,496,860 |
| Unrestricted | (34,307,704) | 521,903 | (38,616,946) | 705,234 |
| Total net position | $ 69,529,125 | $ 2,612,244 | $ 84,119,442 | $ 3,380,849 |



See accompanying notes.

# UC Hastings College of the Law
## Statements of Revenues, Expenses, and Changes in Net Position
## Years Ended June 30, 2022 and 2021

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | College | Foundation | College (As Restated) | Foundation |
| **REVENUES** | | | | |
| Operating revenues | | | | |
| Tuition and fees | $ 48,282,068 | $ - | $ 44,288,550 | $ - |
| Less: UC Hastings' grants | (13,857,583) | - | (13,560,903) | - |
| Less: Tuition and fee scholarships | (3,389,283) | - | (3,335,793) | - |
| Tuition and fees, net | 31,035,202 | - | 27,391,854 | - |
| Contributions, capital campaign | - | 11,492,549 | - | 5,295,230 |
| Government grants and contracts | 1,381,754 | - | 741,915 | - |
| Private grants and contracts | 3,285,304 | - | 3,546,979 | - |
| Sales and services of auxiliary enterprises | 8,247,435 | - | 5,320,924 | - |
| Other operating revenues | 3,054,349 | 85,738 | 3,512,225 | 8,845 |
| Loan interest, net of expenses | 10,786 | - | 14,895 | - |
| Federal Perkins loan interest | 615 | - | 685 | - |
| Total operating revenues | 47,015,445 | 11,578,287 | 40,529,477 | 5,304,075 |
| **EXPENSES** | | | | |
| Operating expenses | | | | |
| Salaries and wages | | | | |
| Faculty | 13,547,163 | - | 13,370,329 | - |
| Non-faculty | 17,977,961 | - | 16,266,626 | - |
| Benefits non-pension | 5,530,874 | - | 5,362,331 | - |
| Pension benefits | 7,280,546 | - | 2,363,920 | - |
| Retiree Health Benefits | 782,259 | - | 1,612,119 | - |
| Scholarships and fellowships | 636,645 | - | 370,484 | - |
| Auxiliary enterprises, including depreciation expense of $989,781 ($989,937 in 2021) | 6,618,874 | - | 5,735,266 | - |
| Utilities | 953,988 | - | 818,461 | - |
| Supplies and services | 17,888,560 | 19,986 | 19,817,587 | 40,550 |
| Depreciation, excluding auxiliary enterprise portion | 3,365,893 | - | 3,150,321 | - |
| Events | - | 5,055 | - | 5,345 |
| Grants | 12,200 | 11,287,100 | 26,321 | 5,866,778 |
| Block grant - allocation to the College | - | 1,000,000 | - | 735,000 |
| Other | 1,178,021 | 400 | 2,627,145 | 329,434 |
| Total operating expenses | 75,772,984 | 12,312,541 | 71,520,910 | 6,977,107 |
| Operating loss | (28,757,539) | (734,254) | (30,991,433) | (1,673,032) |
| **NONOPERATING REVENUES (EXPENSES)** | | | | |
| State operating appropriations | 31,071,989 | - | 18,674,454 | - |
| Gifts, noncapital | 10,457,548 | - | 5,842,097 | - |
| Investment income (loss) | 1,712,157 | (312) | 1,604,470 | 7,465 |
| Realized and unrealized net (loss) gain on investments | (8,711,960) | (34,039) | 26,339,657 | 153,122 |
| Interest on debt | (20,262,454) | - | (16,315,574) | - |
| Block grant - allocation from the Foundation | 1,000,000 | - | 735,000 | - |
| Net nonoperating revenues (expenses) | 15,267,280 | (34,351) | 36,880,104 | 160,587 |
| Loss (income) before other changes in net position | (13,490,259) | (768,605) | 5,888,671 | (1,512,445) |
| **OTHER CHANGES IN NET POSITION** | | | | |
| Capital grants and gifts | 584,084 | - | 893,745 | - |
| Changes in allocation for pension payable to University of California | 758,434 | - | 493,591 | - |
| Reclassification of restricted net position to a liability (termination of the Federal Perkins Loan Program) | - | - | 25,390 | - |
| Other changes to endowments | (2,442,576) | - | 3,624,640 | - |
| Total other changes in net position | (1,100,058) | - | 5,037,366 | - |
| **(DECREASE) INCREASE IN NET POSITION** | (14,590,317) | (768,605) | 10,926,037 | (1,512,445) |
| **NET POSITION**, beginning of year | 84,119,442 | 3,380,849 | 73,193,405 | 4,893,294 |
| **NET POSITION**, end of year | $ 69,529,125 | $ 2,612,244 | $ 84,119,442 | $ 3,380,849 |

# UC Hastings College of the Law
## Statements of Cash Flows
## Years Ended June 30, 2022 and 2021

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | College | Foundation | College (As Restated) | Foundation |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Tuition and fees (net of all scholarships and grants) | $ 30,503,555 | $ - | $ 27,073,870 | $ - |
| Contributions | - | 12,236,527 | - | 6,991,977 |
| Grants and contracts | 4,667,058 | - | 4,288,893 | - |
| Events | - | (73,180) | - | (5,345) |
| Payments to vendors | (26,590,764) | (8,661) | (23,275,226) | (40,550) |
| Salaries and benefits | (42,547,803) | - | (39,963,324) | - |
| Loans issued to students | - | - | (28,000) | - |
| Collections of student loans | 91,961 | - | 119,695 | - |
| Foundation awards | - | (12,201,362) | - | (6,931,211) |
| Sales - auxiliary enterprises | 8,247,435 | - | 5,320,924 | - |
| Expenses - auxiliary enterprises | (5,570,149) | - | (4,745,329) | - |
| Loan interest income net of expenses | 11,401 | - | 15,579 | - |
| Other receipts | 4,279,756 | - | 2,574,347 | - |
| Net cash used by operations | (26,907,550) | (46,676) | (28,618,571) | 14,871 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | |
| State appropriations | 28,086,003 | - | 16,136,786 | - |
| Gifts for endowment | 2,752,703 | - | 658,942 | - |
| Other gifts | 11,457,548 | - | 6,525,645 | - |
| Net cash provided by noncapital financing activities | 42,296,254 | - | 23,321,373 | - |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | |
| Proceeds from sale of capital assets | 584,084 | - | 893,745 | - |
| Purchases of capital assets | (65,325,168) | - | (51,581,007) | - |
| Amortization of bond premium/discount | (470,530) | - | (274,844) | - |
| Principal paid on long term debt | (600,000) | - | (580,000) | - |
| Interest paid on long-term debt | (16,982,655) | - | (5,498,443) | - |
| Net cash used by capital and related financing activities | (82,794,269) | - | (57,040,549) | - |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Proceeds from sale of investments | 80,286,642 | 18,493 | 58,906,900 | 17,669 |
| Interest on investments | 1,347,503 | 6,688 | 1,041,049 | 6,199 |
| Purchase of investments | (14,428,288) | - | (1,569,870) | - |
| Net cash provided by investing activities | 67,205,857 | 25,181 | 58,378,079 | 23,868 |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | (199,708) | (21,495) | (3,959,668) | 38,739 |
| **CASH AND CASH EQUIVALENTS,** beginning of year | 7,557,984 | 130,168 | 11,517,652 | 91,429 |
| **CASH AND CASH EQUIVALENTS,** end of year | $ 7,358,276 | $ 108,673 | $ 7,557,984 | $ 130,168 |



See accompanying notes.

# UC Hastings College of the Law
## Statements of Cash Flows (Continued)
## Years Ended June 30, 2022 and 2021

| | 2022 College | 2022 Foundation | 2021 College (As Restated) | 2021 Foundation |
|---|---|---|---|---|
| **RECONCILIATION OF OPERATING LOSS TO** | | | | |
| **NET CASH USED (PROVIDED) BY OPERATING ACTIVITIES** | | | | |
| Operating loss | $ (28,757,539) | $ (734,254) | $ (30,991,433) | $ (1,673,032) |
| Depreciation | 4,355,674 | - | 4,140,258 | - |
| Allowance for doubtful accounts | 85,563 | - | 60,430 | - |
| Loss on disposal of capital assets | - | - | 2,273,471 | - |
| Scholarship expense | 105,000 | - | 52,500 | - |
| Pension expense | 2,650,000 | - | (1,786,000) | - |
| Retiree health benefits expense | (79,000) | - | 798,000 | - |
| Perkins loans access cash | - | - | 25,390 | - |
| Changes in operating assets and liabilities | | | | |
| Accounts receivable, net | 731,959 | - | (1,118,677) | - |
| Notes receivable, net | 91,961 | - | 91,695 | - |
| Pledges receivable, net | - | 744,378 | - | 1,687,903 |
| Accounts payable and accrued liabilities | (6,434,969) | - | (2,301,058) | - |
| Deposits | (21,464) | - | 4,988 | - |
| Unearned revenues | 774,965 | (68,125) | 175,810 | - |
| Prepaid expenses and other assets | (279,167) | 11,325 | (408,261) | - |
| Compensated absences | 129,520 | - | 364,316 | - |
| Net cash used (provided) by operations | $ (26,647,497) | $ (46,676) | $ (28,618,571) | $ 14,871 |
| **NONCASH TRANSACTIONS** | | | | |
| Scholarships from assets held by others | $ 105,000 | $ - | $ 52,500 | $ - |
| Gifts in-kind | $ 9,334 | $ - | $ - | $ - |
| Bond proceeds held in other long-term investments | $ - | $ - | $ 364,019,219 | $ - |
| **COMPONENTS OF CASH AND CASH EQUIVALENTS** | | | | |
| Current, cash and cash equivalents | $ 5,704,885 | $ 108,673 | $ 6,133,081 | $ 130,168 |
| Current, restricted cash and cash equivalents | 1,653,391 | - | 1,424,903 | - |
| **Total Cash and Cash Equivalents,** end of year | $ 7,358,276 | $ 108,673 | $ 7,557,984 | $ 130,168 |

## NOTE 1 – ORGANIZATION

UC Hastings College of the Law (the "College" or "UC Hastings") 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 Hastings 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 Hastings. 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 Hastings Board of Directors. Three of the seven-member governing board are the persons serving in the capacities of UC Hastings Chancellor and Dean of the College, the Chief Financial Officer, and the General Counsel of the College, unless the UC Hastings 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 Hastings Board of Directors. In addition, the UC Hastings Board of Directors has the discretion to remove any Authority Director with or without cause.

The UC Hastings 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 Hastings.

## 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 non-current; with the exception of 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, 2022 (in thousands):

| | College (Stand Alone) | Campus Housing Authority | College Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets | $ 9,858 | $ 1,618 | $ 11,476 |
| Noncurrent assets | 272,206 | 348,059 | 620,265 |
| Total assets | 282,064 | 349,677 | 631,741 |
| **Deferred outflows of resources** | 20,752 | - | 20,752 |
| **LIABILITIES** | | | |
| Current liabilities | 15,159 | 17,409 | 32,568 |
| Noncurrent liabilities | 150,618 | 366,316 | 516,934 |
| Total liabilities | 165,777 | 383,725 | 549,502 |
| **Deferred Inflows of resources** | 33,462 | - | 33,462 |
| **TOTAL NET POSITION** | | | |
| Net investment in capital assets | 76,620 | - | 76,620 |
| Restricted | | | |
| Nonexpendable | 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 |

| | Operating | | Non-operating | | |
|---|---|---|---|---|---|
| | College (Stand Alone) | Campus Housing Authority | College (Stand Alone) | Campus Housing Authority | College Total |
| **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 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) |

| | College (Stand Alone) | Campus Housing Authority | College Total |
|---|---|---|---|
| Cash provided (used) by | | | |
| Operating activities | $ (26,889) | $ (19) | $ (26,908) |
| Non capital 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 |

The following is the condensed combining information for the Authority and the College as of June 30, 2021 (in thousands):

| | 2021 | | |
|---|---|---|---|
| | College (Stand Alone) | Authority | College Total (As Restated) |
| **ASSETS** | | | |
| Current assets | $ 10,869 | $ 1,424 | $ 12,293 |
| Noncurrent assets | 275,244 | 359,771 | 635,015 |
| Total assets | 286,113 | 361,195 | 647,308 |
| **Deferred outflows of resources** | 16,601 | - | 16,601 |
| **LIABILITIES** | | | |
| Current liabilities | 20,558 | 13,598 | 34,156 |
| Noncurrent liabilities | 135,896 | 364,590 | 500,486 |
| Total liabilities | 156,454 | 378,188 | 534,642 |
| **Deferred Inflows of resources** | 45,148 | - | 45,148 |
| **NET POSITION** | | | |
| Net investment in capital assets | 77,270 | - | 77,270 |
| Restricted | | | |
| Noexpendable | 28,626 | - | 28,626 |
| Expendable | 33,833 | (16,993) | 16,840 |
| Unrestricted | (38,617) | - | (38,617) |
| Total net position | $ 101,112 | $ (16,993) | $ 84,119 |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Operating | | Non-operating | | |
| | College (Stand Alone) | Authority | College (Stand Alone) | Authority | College Total (As Restated) |
| **REVENUES** | | | | | |
| Tuition and fees, net of grants and scholarships | $ 27,392 | $ - | $ - | $ - | $ 27,392 |
| State appropriations | - | - | 18,674 | - | 18,674 |
| Grants and contracts | 4,289 | - | - | - | 4,289 |
| Auxiliary enterprises | 5,321 | - | - | - | 5,321 |
| Private gifts | - | - | 5,842 | - | 5,842 |
| Block grant - allocation from Foundation | - | - | 735 | - | 735 |
| Investment income | - | - | 628 | 976 | 1,604 |
| Realized/unrealized gain (loss) on investments | - | - | 26,340 | - | 26,340 |
| Other revenues | 3,513 | - | - | - | 3,513 |
| Loan interest, net of expense | 15 | - | - | - | 15 |
| Total revenues | 40,530 | - | 52,219 | 976 | 93,725 |
| **EXPENSES** | | | | | |
| Salaries and benefits | 38,975 | - | - | - | 38,975 |
| Auxiliary enterprises | 5,735 | - | - | - | 5,735 |
| Utilities | 818 | - | - | - | 818 |
| Supplies and services | 15,700 | 4,118 | - | - | 19,818 |
| Depreciation | 3,150 | - | - | - | 3,150 |
| Scholarships and fellowships | 370 | - | - | - | 370 |
| Grants to UC Hastings | 26 | - | - | - | 26 |
| Interest on debt | - | - | 2,465 | 13,851 | 16,316 |
| Other | 2,628 | - | - | - | 2,628 |
| Total expenses | 67,402 | 4,118 | 2,465 | 13,851 | 87,836 |
| Income (Loss) | $ (26,872) | $ (4,118) | $ 49,754 | $ (12,875) | $ 5,889 |
| **OTHER CHANGES IN NET POSITION** | | | | | |
| Capital grants and gifts | $ - | $ - | $ - | $ - | $ 894 |
| Changes in allocation for pension payable to University of California | - | - | - | - | 494 |
| Reclassification of restricted net position to a liability (termination of Federal Perkins Loan Program) | - | - | - | - | 25 |
| Other changes in endowments | - | - | - | - | 3,624 |
| Total other changes in net position | - | - | - | - | 5,037 |
| Increase (decrease) in net position | $ - | $ - | $ - | $ - | $ 10,926 |

| | 2021 | | |
|---|---|---|---|
| | College (Stand Alone) | Authority | College Total (As Restated) |
| Cash provided by (used in) | | | |
| Operating activities | $ (24,500) | $ (4,118) | (28,618) |
| Non capital financing activities | 23,321 | - | 23,321 |
| Capital and related financing activities | (4,403) | (52,638) | (57,041) |
| Investing activities | 208 | 58,170 | 58,378 |
| Net (decrease) increase in cash | (5,374) | 1,414 | (3,960) |
| **CASH**, beginning of year | 11,518 | - | 11,518 |
| **CASH**, end of year | $ 6,144 | $ 1,414 | $ 7,558 |

**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 $1,653,391 and $1,424,903 as of June 30, 2022 and 2021, respectively. These balances are recorded in restricted cash and cash equivalents.

**Accounts receivable, net** – Accounts receivable are $1,629,274 and $2,451,466 as of June 30, 2022 and 2021, respectively. Of these amounts, $90,233 and $0 are due from the State of California (“State”), as of June 30, 2022 and 2021, respectively, for general appropriations. Allowance for doubtful accounts are $47,659 and $41,399 as of June 30, 2022 and 2021.

**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 receivabe 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 intitation of each lease in an amount equal to the intital recording of the lease receivable. Short-term lease receipts and variable lease receipts not included in the measurement of the lease receivable are recognized as income when earned.

**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 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, non-student 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 non-refundable 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 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.

**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 purposes 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 purposes 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 of 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 Hastings 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 June 2017, the GASB issued Statement No. 87, *Leases* ("GASB 87"). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement is effective for reporting periods beginning after June 15, 2021. The College has adopted GASB 87 as of July 1, 2021 and is retrospectively applied to July 1, 2020. The College evaluated contracts that were formerly accounted for as operating leases to determine whether they meet the definition of a lease as defined in GASB 87. The College calculated and recognized a lease receivable of $3,019,628 and deferred inflows of resources $2,759,394 as of July 1, 2021. There was no material impact to beginning net position from the adoption of GASB 87.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (“GASB 94”). The objective of the Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The College is analyzing the effects of the adoption of this pronouncement.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB 96”). The objectives of the Statement are to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) 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 Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The College is analyzing the effects of the adoption of this pronouncement.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32* (“GASB 97”). The objectives of the Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in paragraph 4 of the Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and paragraph 5 of the Statement are effective immediately. The requirements in paragraphs 6-9 of the Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of the Statement are effective for reporting periods beginning after June 15, 2021. Implementation of this pronouncement has no impact to the financial statements.

In April 2022, the GASB issued Statement No. 99, *Ominbus 2022* (“GASB 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 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 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 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, 2022 and 2021, consist of the following:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **College** | **Foundation** | **College** | **Foundation** |
| Cash in banks and on hand | $ 5,043,017 | $ - | $ 1,936,840 | $ - |
| Pooled cash included in STIP | 661,868 | 108,673 | 4,196,241 | 130,168 |
| Total cash and cash equivalents | $ 5,704,885 | $ 108,673 | 6,133,081 | $ 130,168 |

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, 2022 and 2021, respectively, the carrying amounts of the College's deposits in banks were $5,043,017 and $1,936,840 and the bank balances were $5,704,009 and $2,618,189.

Of the bank balances for 2022, $250,000 was covered by federal depository insurance and $5,454,009 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 non-governmental entities that do not have 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, 2022 and 2021, are as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **College** | **Foundation** | **College** | **Foundation** |
| GEP Investments | $ 113,984,218 | $ 573,385 | $ 108,098,837 | $ 632,917 |
| Authority Investments | 226,834,428 | - | 306,824,681 | - |
| Total investments | $ 340,818,646 | $ 573,385 | $ 414,923,518 | $ 632,917 |

**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 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.

**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, 2022 and 2021, were 2.71 and 2.77 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 total the 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, 2022 and 2021, were $14,007,433 and $5,190,989, respectively.

**NOTE 5 – NOTES RECEIVABLE**

Notes receivable of the College as of June 30, 2022 and 2021, consist of the following:

| | 2022 | 2021 |
|---|---|---|
| Federal Perkins and NDSL loans | $ 6,794 | $ 8,215 |
| O'Neill loans | 156,564 | 198,588 |
| Hastings loans | 224,245 | 264,910 |
| California Bar Preparation loans | 130,275 | 138,127 |
| Less: Allowance for doubtful accounts | (36,125) | (36,126) |
| Ending notes receivable | $ 481,753 | $ 573,714 |

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 accrue 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 resided 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. Hastings 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 lessor for noncancellable lease of various retail space and long term parking with lease terms through fiscal year 2034. For the year ending June 30, 2022, the College recognized $699,332 in lease revenue released from deferred inflows of resources related to the various office and retail space leases. The College recognized interest revenue of $28,250 for the year ended June 30, 2022. 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 year ended June 30, 2022:

| | Outstanding as of June 30, 2021 | Additions | Payments | Outstanding as of June 30, 2022 |
|---|---|---|---|---|
| US Attorney's Lease principal of $11,520, monthly due FY2023 | $ 155,464 | $ - | $ 133,230 | $ 22,234 |
| General Services Admin Lease principal of $17,656, monthly due FY2024 | $ 470,546 | $ - | $ 195,965 | $ 274,581 |
| SF VA Lease principal of $1,240, monthly due FY2027 | $ - | $ 75,384 | $ 12,349 | $ 63,035 |
| USACE Lease principal of $415, monthly due FY2024 | $ - | $ 11,741 | $ 4,956 | $ 6,785 |
| Philz Lease principal of $8,820, monthly due FY2028 | $ 669,316 | $ - | $ 95,977 | $ 573,339 |
| Build Group Lease principal of $9,500, monthly due FY2023 | $ 196,533 | $ - | $ 112,683 | $ 83,850 |
| Golden Era Lease principal of $9,445, monthly due FY2034 | $ 1,527,769 | $ - | $ 105,351 | $ 1,422,418 |
| Subway Lease principal of $1,000, monthly due FY2037 | $ - | $ 969,650 | $ 10,951 | $ 958,699 |
| | **$ 3,019,628** | **$ 1,056,775** | **$ 671,462** | **$ 3,404,941** |

Leases receivable is calculated based on principal payment maturities described as follows for the year ended June 30, 2021:

| | Outstanding as of June 30, 2020 | Additions | Payments | Outstanding as of June 30, 2021 |
|---|---|---|---|---|
| US Attorney's Lease principal of $11,070, monthly due FY2023 | $ 284,689 | $ - | $ 129,225 | $ 155,464 |
| General Services Admin Lease principal of $16,815, monthly due FY2024 | $ 659,058 | $ - | $ 188,512 | $ 470,546 |
| Philz Lease principal of $8,562, monthly due FY2028 | $ 763,340 | $ - | $ 94,024 | $ 669,316 |
| Build Group Lease principal of $9,500, monthly due FY2023 | $ 281,713 | $ - | $ 85,180 | $ 196,533 |
| Golden Era Lease principal of $9,445, monthly due FY2034 | $ 1,630,592 | $ - | $ 102,823 | $ 1,527,769 |
| | **$ 3,619,392** | **$ -** | **$ 599,764** | **$ 3,019,628** |

The future principal and interest lease receipts as of June 30, 2022, were as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 573,210 | $ 30,636 | $ 603,846 |
| 2024 | 361,624 | 26,466 | 388,090 |
| 2025 | 295,080 | 26,282 | 321,362 |
| 2026 | 301,037 | 29,785 | 330,822 |
| 2027 | 294,192 | 32,797 | 326,989 |
| 2028-2032 | 1,048,376 | 137,174 | 1,185,550 |
| 2033-2037 | 531,422 | 79,648 | 611,070 |
| | $ 3,404,941 | $ 362,788 | $ 3,767,729 |

## NOTE 7 – 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 $105,000 and $52,500 for 2022 and 2021, 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 $0 as of June 30, 2022. 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, 2022 and 2021, is $3,185,135 and $3,456,126, 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, 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 |
|---|---|---|---|---|---|---|
| Tony Patino Memorial Fellowship Trust: | | | | | | |
| Cash and Cash Equivalents | $ - | $ - | $ - | $ - | $ - | $ - |
| Fixed Income | - | - | - | - | - | - |
| Equities | - | - | - | - | - | - |
| Alternative Investments | - | - | - | - | - | - |
| Patino Subtotal | - | - | - | - | - | - |
| 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 |

The following table summarizes the assets held by others reported at fair value within the fair value hierarchy as of June 30, 2021:

| 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 |
|---|---|---|---|---|---|---|
| Tony Patino Memorial Fellowship Trust: | | | | | | |
| Cash and Cash Equivalents | $ 250,703 | $ - | $ - | $ - | $ - | $ 250,703 |
| Fixed Income | 1,173,157 | - | 1,173,157 | - | - | - |
| Equities | 3,081,273 | 3,081,273 | - | - | - | - |
| Alternative Investments | 181,832 | 181,832 | - | - | - | - |
| Patino Subtotal | 4,686,965 | 3,263,105 | 1,173,157 | - | - | 250,703 |
| Beneficial Interest in Charitable Remainder Trust ("CRT") | 1,954,127 | - | - | - | 1,954,127 | - |
| Endowments Held by UC | 7,722,071 | - | - | - | 7,722,071 | - |
| Workers' Compensation | 35,000 | - | - | - | - | 35,000 |
| **Total Assets Held by Others** | $ 14,398,163 | $ 3,263,105 | $ 1,173,157 | $ - | $ 9,676,198 | $ 285,703 |

## NOTE 8 – CAPITAL ASSETS

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 |

The activities related to capital assets during fiscal year 2021 for the College are summarized below:

| | 2020 | Additions/ Transfers | Disposals/ Transfers | 2021 |
|---|---|---|---|---|
| **Capital assets, not being depreciated:** | | | | |
| Land | $ 5,088,532 | $ - | $ - | $ 5,088,532 |
| Construction in progress | 20,331,537 | 56,547,761 | (23,680,971) | 53,198,327 |
| Works of art | 421,309 | - | - | 421,309 |
| Intangible assets | 115,920 | - | - | 115,920 |
| Total capital assets, not being depreciated | 25,957,298 | 56,547,761 | (23,680,971) | 58,824,088 |
| **Capital assets, being depreciated:** | | | | |
| Buildings | 141,130,771 | - | (12,526,853) | 128,603,918 |
| Building improvements | 34,123,066 | 22,980,245 | - | 57,103,311 |
| Equipment, furniture and fixtures | 2,588,526 | 539,595 | - | 3,128,121 |
| Computer software | 1,087,165 | 395,691 | - | 1,482,856 |
| Library books and materials | 2,832,808 | - | - | 2,832,808 |
| Total capital assets, being depreciated | 181,762,336 | 23,915,531 | (12,526,853) | 193,151,014 |
| **Less accumulated depreciation for:** | | | | |
| Buildings | (30,960,206) | (2,352,031) | 10,253,382 | (23,058,855) |
| Building improvements | (19,784,703) | (1,252,907) | - | (21,037,610) |
| Equipment, furniture, and fixtures | (2,033,504) | (238,095) | - | (2,271,599) |
| Computer software | (476,097) | (120,003) | - | (596,100) |
| Library books and materials | (2,105,993) | (177,222) | - | (2,283,215) |
| Total accumulated depreciation | (55,360,503) | (4,140,258) | 10,253,382 | (49,247,379) |
| Total capital assets, being depreciated, net | 126,401,833 | 19,775,273 | (2,273,471) | 143,903,635 |
| Capital assets, net | $ 152,359,131 | $ 76,323,034 | $ (25,954,442) | $ 202,727,723 |

## NOTE 9 – LONG-TERM DEBT

Long-term debt of the College consists of the following at June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Hastings College of the Law Refunding Bonds, Series 2017 | $ 15,315,000 | $ 15,915,000 |
| Campus Housing Authority Revenue Bonds, Series 2020A and 2020B | 360,715,525 | 360,715,525 |
| Total bonds payable | 376,030,525 | 376,630,525 |
| Capital lease obligation | 53,123,174 | 54,824,648 |
| Bond premium | 4,836,252 | 5,306,783 |
| Total long-term debt | $ 433,989,951 | $ 436,761,956 |

The College issued the Series 2017 Refunding Bonds for $17,610,000 to refund the previously issued Series 2008Bonds 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 Hastings 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, 2022 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, 2022 and 2021, is as follows:

| | 2022 |
|---|---|
| Balance as of June 30, 2021 | $ 436,761,956 |
| Unamortized bond premium | (470,530) |
| Principal payments in fiscal year 2022 | (2,301,475) |
| Balance as of June 30, 2022 | $ 433,989,951 |
| Current loan payable | $ 2,455,335 |
| Noncurrent loan payable | 431,534,616 |
| Balance as of June 30, 2022 | $ 433,989,951 |

| | | 2021 |
|---|---|---|
| Balance as of June 30, 2020 | $ | 75,500,786 |
| Unamortized bond premium | | (274,844) |
| Principal payments in fiscal year 2021 | | (2,483,205) |
| Addition - Campus Housing Authority Revenue Bonds, Series 2020A and 2020B | | 364,019,219 |
| Balance as of June 30, 2021 | $ | 436,761,956 |
| Current loan payable | $ | 2,455,335 |
| Noncurrent loan payable | | 434,306,621 |
| Balance as of June 30, 2021 | $ | 436,761,956 |

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:

| | Principal | Interest | Total Bond Payable |
|---|---|---|---|
| 2023 | 710,000 | 765,750 | $ 1,475,750 |
| 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 |
| 2028-2032 | 5,000,000 | 2,371,750 | 7,371,750 |
| 2033-2037 | 6,390,000 | 861,383 | 7,251,383 |
| | $ 15,315,000 | $ 6,688,633 | $ 22,003,633 |

The annual payments required to amortize the Series 2020A, Campus Housing Revenue Bonds, outstanding as of June 30, 2022, are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ - | $ 16,655,500 | $ 16,655,500 |
| 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 |
| 2028-2032 | 10,810,000 | 82,151,000 | 92,961,000 |
| 2033-2037 | 26,235,000 | 77,387,375 | 103,622,375 |
| 2038-2042 | 34,230,000 | 69,806,750 | 104,036,750 |
| 2043-2047 | 43,685,000 | 60,113,875 | 103,798,875 |
| 2048-2052 | 55,755,000 | 47,742,375 | 103,497,375 |
| 2053-2057 | 71,170,000 | 31,951,750 | 103,121,750 |
| 2058-2062 | 90,835,000 | 11,796,875 | 102,631,875 |
| | $ 333,110,000 | $ 464,217,750 | $ 797,327,750 |

The annual payments required to amortize the Series 2020B, Campus Housing Revenue Bonds outstanding as of June 30, 2022, are as follows:

| | Principal | Accreted Interest | Interest | Total |
|---|---|---|---|---|
| 2023 | $ - | $ - | $ - | $ - |
| 2024 | - | - | - | - |
| 2025 | - | - | - | - |
| 2026 | - | - | - | - |
| 2027 | - | - | - | - |
| 2028-2032 | 2,505,001 | 2,297,854 | - | 4,802,855 |
| 2033-2037 | 3,661,156 | 5,335,314 | 5,801,625 | 14,798,094 |
| 2038-2042 | 1,934,407 | 3,235,593 | 18,543,937 | 23,713,938 |
| 2043-2047 | 2,798,717 | 4,681,284 | 16,398,112 | 23,878,113 |
| 2048-2052 | 3,880,039 | 6,489,960 | 13,411,238 | 23,781,238 |
| 2053-2057 | 5,374,808 | 8,990,190 | 9,271,970 | 23,636,969 |
| 2058-2062 | 7,451,396 | 12,463,604 | 3,536,156 | 23,451,156 |
| | $ 27,605,525 | $ 43,493,799 | $ 66,963,039 | $ 138,062,362 |

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:

| | Principal | Interest | Total Capital Lease Payable |
|---|---|---|---|
| 2023 | 1,749,874 | 1,319,426 | 3,069,300 |
| 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 |
| 2028-2032 | 10,384,932 | 4,958,318 | 15,343,250 |
| 2033-2037 | 11,742,451 | 3,609,449 | 15,351,900 |
| 2038-2042 | 13,266,054 | 1,587,882 | 14,853,937 |
| 2043-2045 | 8,534,857 | 437,069 | 8,971,926 |
| | $ 53,123,174 | $ 16,745,838 | $ 69,869,013 |

**NOTE 10 – ENDOWMENTS**

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 |

The endowments held by the College as of June 30, 2021, are as follows:

| | Restricted Net Position | | Unrestricted | |
|---|---|---|---|---|
| | Nonexpendable | Expendable | Net Position | Total |
| Endowments | $ 16,217,354 | $ 20,735,293 | $ - | $ 36,952,647 |
| Funds functioning as endowments | - | - | 11,074,520 | 11,074,520 |
| Endowment assets held by others | 12,409,037 | - | - | 12,409,037 |
| College's endowments | $ 28,626,391 | $ 20,735,293 | $ 11,074,520 | $ 60,436,204 |

Endowments held by the Foundation as of June 30, 2022 and 2021, are as follows:

| | 2022 Restricted Net Position | | 2021 Restricted Net Position | |
|---|---|---|---|---|
| | Nonexpendable | Expendable | Nonexpendable | Expendable |
| Foundation's endowments | $ 178,755 | $ 389,221 | $ 178,755 | $ 448,307 |

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 2022 and 2021 was 4.55 and 4.35 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 $1,610,722 and $1,447,522 for the years ended June 30, 2022 and 2021, respectively. From that distribution, $1,589,686 and $1,428,307 was distributed to the College, and $21,036 and $19,215 was distributed to the Foundation, for the years ended June 30, 2022 and 2021, respectively.

### NOTE 11 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

| | 2022 | 2021 |
|---|---|---|
| **Deferred Outflows of Resources** | | |
| Retiree health benefits liability, net | $ 10,702,000 | $ 10,643,000 |
| Pension liability, net | 9,956,000 | 5,857,000 |
| Loss on defeasance of debt | 94,200 | 100,586 |
| Total deferred outflows of resources | $ 20,752,200 | $ 16,600,586 |
| **Deferred Inflows of Resources** | | |
| Retiree health benefits liability, net | $ 25,820,000 | $ 19,244,000 |
| Pension liability, net | 2,884,000 | 20,930,000 |
| Remainder interest in charitable remainder trust | 1,641,018 | 1,954,127 |
| Lease assets | 3,116,836 | 3,019,627 |
| Total deferred inflows of resources | $ 33,461,854 | $ 45,147,754 |

### NOTE 12 – 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 2021-2022 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 of 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 $2.36 and $2.58 per $100 of UCRP covered payroll effective July 1, 2022 and 2021, 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:

| | 2022 | 2021 |
|---|---|---|
| Total employer contributions | $ 861,000 | $ 814,000 |
| Total contributions | $ 861,000 | $ 814,000 |

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

| | 2022 | 2021 |
|---|---|---|
| Proportion of the net retiree health benefits liability | 0.2% | 0.2% |
| Proportionate share of net retiree health benefits liability | $ 36,012,000 | $ 42,608,000 |

The College's net retiree health benefits liability was measured as of June 30, 2022 and 2021, and calculated using the plan net position valued as of the measurement date except for census data. The valuation results for fiscal year ended June 30, 2022 and 2021, are based on March 1, 2022 and 2021, 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:

| | 2022 | 2021 |
|---|---|---|
| Discount rate | 3.54% | 2.16% |
| Inflation | 2.50% | 2.50% |
| Investment rate of return | 2.50% | 2.50% |
| Health care cost trend rates | Initially ranges from 1.35 to 14.55 decreasing to an ultimate rate of 3.94 for 2075 and later years | Initially ranges from 2.7 to 7.5 decreasing to an ultimate rate of 4.04 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, 2018.

**Sensitivity of net retiree health benefits liability to the health care cost trend rate** – The following presents the June 30, 2022, net retiree health benefits liability of the College calculated using the June 30, 2022, health care cost trend rate assumption with initial trend ranging from 1.35 percent to 14.55 percent grading down 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:

| 2022 | | | 2021 | | |
|---|---|---|---|---|---|
| 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% | 1% Decrease (1.7% to 6.5%) Decreasing to 3.04% | Current Discount (2.7% to 7.5%) Current Discount 4.04% | 1% Increase (3.7% to 8.5%) Increasing to 5.04% |
| $ 29,958,000 | $ 36,012,000 | $ 43,968,000 | $ 34,630,000 | $ 42,608,000 | $ 53,339,000 |

**Discount rate** – The discount rate used to estimate the net retiree health benefits liability as of June 30, 2022 and 2020, was 3.54 percent and 2.16 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, 2022, net retiree health benefits liability of the College calculated using the June 30, 2022, discount rate assumption of 3.54% 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:

| 2022 | | | 2021 | | |
|---|---|---|---|---|---|
| **1% Decrease (2.54%)** | **Current Discount (3.54%)** | **1% Increase (4.54%)** | **1% Decrease (1.16%)** | **Current Discount (2.16%)** | **1% Increase (3.16%)** |
| $ 42,679,000 | $ 36,012,000 | $ 30,709,000 | $ 51,487,000 | $ 42,608,000 | $ 35,673,000 |

**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:

| | 2022 | 2021 |
|---|---|---|
| **Deferred Outflows of Resources** | | |
| Changes in proportion and differences between the College's contributions and proportionate share of contributions | $ 2,000,000 | $ 389,000 |
| Changes of assumptions or other inputs | 8,403,000 | 10,167,000 |
| Net difference between projected and actual earnings on plan investments | 12,000 | 9,000 |
| Difference between expected and actual experience | 287,000 | 78,000 |
| Total deferred outflows of resources | $ 10,702,000 | $ 10,643,000 |
| **Deferred Inflows of Resources** | | |
| Changes in proportion and differences between the College's contributions and proportionate share of contributions | $ 7,878,000 | $ 9,637,000 |
| Changes of assumptions or other inputs | 12,703,000 | 3,336,000 |
| Difference between expected and actual experience | 5,239,000 | 6,271,000 |
| Total deferred inflows of resources | $ 25,820,000 | $ 19,244,000 |

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 Ended June 30,** | |
|---|---|
| 2023 | $ (2,633,000) |
| 2024 | (2,851,000) |
| 2025 | (2,966,000) |
| 2026 | (1,759,000) |
| 2027 | (1,369,000) |
| Thereafter | (3,540,000) |
| | $ (15,118,000) |

## NOTE 13 – 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 2021-2022 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 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 accordingly 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, 2015, 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:

| | 2022 | 2021 |
|---|---|---|
| College | $ 4,926,000 | $ 4,487,000 |
| Employee | 1,743,000 | 1,701,000 |
| Total contributions | $ 6,669,000 | $ 6,188,000 |

Additional deposits were made by the University of California to UCRP of $700.0 million and $600.0 million for the fiscal years ended June 30, 2022 and 2021, 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, 2022 and 2021. These balances were $1,224,000 and $1,061,000, respectively.

**Net pension liability** – The College's proportionate share of the net pension liability for UCRP as of June 30, 2022 and 2021, is as follows:

| | 2022 | 2021 |
|---|---|---|
| Proportion of the net pension liability | 0.2% | 0.2% |
| Proportionate share of net pension liability | $ 35,343,000 | $ 11,772,000 |

The College's net pension liability was measured as of June 30, 2022 and 2021, 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, 2021 and 2020, respectively.

Actuarial valuations represented a long-term perspective and involve 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:

| | 2022 | 2021 |
|---|---|---|
| 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 2022 and 2021 were based upon the results of an experience study conducted for the period July 1, 2014 through June 30, 2018. The active and inactive members, mortality rates are based on the Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2018. For healthy Faculty retirees, mortality rates are based on the Pub-2010 Healthy Teacher Amount-Weighted Above-Median Mortality Table multiplied by 90% for males and 95% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018. For health Staff & Safety retirees, mortality rates are based on the Pub-2010 Healthy Teacher Amount-Weighed Above-Median Mortality Table multiplied by 100% for males and 110% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

The long-term expected investment rate of return for UCRP was determined in 2022 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 | 27.6% | 5.60% |
| Developed international equity | 16.8% | 6.53% |
| Emerging market equity | 5.6% | 8.62% |
| Core fixed income | 13.0% | 1.46% |
| High yield bonds | 2.5% | 3.65% |
| Emerging market debt | 2.5% | 3.91% |
| TIPS | 2.0% | 1.18% |
| Real estate | 7.0% | 6.60% |
| Private equity | 10.0% | 9.17% |
| Absolute return | 10.0% | 3.30% |
| Real assets | 3.0% | 5.60% |
| Total | 100% | |

**Discount rates** – The discount rate used to estimate the net pension liability as of June 30, 2022 and 2021 was 6.75 percent. To calculate the discount rate, cash flows into and out of UCRP were projected in order 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, 2022.

**Sensitivity of the net pension liability to the discount rate assumption** – The following presents the June 30, 2022, net pension liability of the College calculated using the June 30, 2022, 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:

| 2022 | | | 2021 | | |
|---|---|---|---|---|---|
| 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| $ 57,897,000 | $ 35,343,000 | $ 16,939,000 | $ 33,358,000 | $ 11,772,000 | $ (5,946,000) |

**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, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| **Deferred Outflows of Resources** | | |
| Changes in proportion and differences between the College's contributions and proportionate share of contributions | $ 44,000 | $ 120,000 |
| Changes of assumptions or other inputs | 2,147,000 | 4,786,000 |
| Net excess of projected over actual earnings on plan investments (if any) | 6,854,000 | - |
| Difference between actual and expected experience in the Total Pension Liability | 911,000 | 951,000 |
| Total deferred outflows of resources | $ 9,956,000 | $ 5,857,000 |
| **Deferred Inflows of Resources** | | |
| Changes in proportion and differences between the College's contributions and proportionate share of contributions | $ 2,687,000 | $ 3,622,000 |
| Net excess of actual over projected earnings on pension plan investments (if any) | - | 17,005,000 |
| Difference between expected and actual experience in the Total Pension Liability | 197,000 | 303,000 |
| Total deferred inflows of resources | $ 2,884,000 | $ 20,930,000 |

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 Ended June 30, | |
|---|---|
| 2023 | $ 2,568,000 |
| 2024 | 138,000 |
| 2025 | (575,000) |
| 2026 | 4,941,000 |
| | $ 7,072,000 |

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 14 – 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 15 – CONTINGENCIES

The College receives substantially all of 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 16 – 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 17 – 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 18 – 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.

During fiscal year ended June 30, 2022, the Board of Directors met and approved that the College will change its name from UC Hastings College of the Law to UC College of the Law, San Francisco. Legislature of the State of California approved the name change and the Governor of California signed into law AB 1936 on September 23, 2022. The new name is predicted to take effect on January 1, 2023.

The College has evaluated subsequent events through October ___, 2022, which is the date the consolidated financial statements were available to be issued.

# 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:

| UC Hastings College of the Law | 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 |
|---|---|---|---|---|---|
| 2022 | 0.2% | $ 36,012,000 | $ 27,712,000 | 130.1% | 0.9% |
| 2021 | 0.2% | $ 42,608,000 | $ 23,915,000 | 178.1% | 0.7% |
| 2020 | 0.2% | $ 45,135,000 | $ 25,577,000 | 176.6% | 0.7% |
| 2019 | 0.2% | $ 40,220,000 | $ 25,926,000 | 155.4% | 0.8% |
| 2018 | 0.2% | $ 37,604,000 | $ 24,929,000 | 151.0% | 0.7% |
| 2017 | 0.2% | $ 40,908,000 | $ 24,471,000 | 166.8% | 0.6% |
| 2016 | 0.2% | $ 49,576,000 | $ 24,451,000 | 202.9% | 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 |
|---|---|---|---|---|---|
| 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:

| UC Hastings College of the Law | 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 |
|---|---|---|---|---|---|
| 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 | 81.3% | 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% |
| 2013 | 0.3% | $ 29,450,000 | $ 24,025,000 | 122.6% | 78.6% |

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 |
|---|---|---|---|---|---|
| 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% |
| 2013 | $ 3,766,000 | $ 3,766,000 | $ - | $ 24,025,000 | 15.7% |

# Supplementary Information

# UC Hastings College of the Law
## Schedule of Expenditures of Federal Awards
## Year Ended June 30, 2022

| Federal Grantor/Pass-Through Grantor Program or Cluster Title | Federal Assistance Listing Number | Federal Grant Number | Federal Expenditures |
|---|---|---|---|
| U.S. Department of Education | | | |
| Student Financial Assistance Cluster: | | | |
| Federal Work Study | 84.033 | P033A210404 | $ 164,735 |
| Federal Work Study - Administrative Cost Allowance | 84.033 | P033A210404 | 9,062 |
| Total Student Financial Assistance Awards | | | 173,797 |
| Federal Direct Student Loan Program | 84.268 | P268K226736 | 35,997,874 |
| Total Student Financial Assistance Loan Programs | | | 35,997,874 |
| Total Student Financial Assistance Cluster | | | 36,171,671 |
| COVID-19 - Education Stabilization Fund | | | |
| COVID-19 - Higher Education Emergency Relief Fund Institutional Portion and Student Portion | 84.425E&F | P425F200900 | 685,980 |
| Total COVID-19 - Education Stabilization Fund | | | 685,980 |
| Total U.S. Department of Education | | | 36,857,651 |
| U.S. Department of the Treasury: | | | |
| Low Income Taxpayer Clinics | 21.008 | PKG00261312 | 100,000 |
| Total U.S. Department of the Treasury | | | 100,000 |
| Total Expenditures of Federal Awards | | | $ 36,957,651 |





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 Hastings College of the Law (the “College” or “UC Hastings”), under programs of the federal government for the year ended June 30, 2022. 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, 2022.

# 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 Hastings College of the Law

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 Hastings College of the Law (the "College" or "UC Hastings") and its discretely presented component unit, the UC Hastings Foundation (the "Foundation"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise UC Hastings College of the Law's and its discretely presented component unit, the UC Hastings Foundation's, basic financial statements, and have issued our report thereon dated October ___, 2022.

## 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 entity'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Francisco, California
October ___, 2022

# 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 Hastings College of the Law

## Report on Compliance for the Major Federal Program

### *Opinion on the Major Federal Program*

We have audited UC Hastings College of the Law's (the "College" "or "UC Hastings") 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, 2022. 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 Hastings College of the Law 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, 2022.

### *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 ___, 2022

## 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 Hastings College**
**of the Law**

*June 30, 2022*

# Communication with Those Charged with Governance

To the Board of Directors
UC Hastings College of the Law

We have audited the financial statements of UC Hastings College of the Law (the “College” or “UC Hastings”) and the discretely presented component unit, UC Hastings Foundation (the “Foundation”), as of and for the year ended June 30, 2022, and have issued our report thereon dated October ___, 2022. 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 12, 2022, 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 of 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 21, 2022.

## 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, 2022, the College and the Foundation adopted Government Accounting Standards Board Statement No. 87 – *Leases* under the retrospective approach. No other new accounting policies were adopted and there were no changes in the application of existing policies during 2022. 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 leases receivable and leases deferred inflows of resources.
- 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 8 related to capital assets and net position by type
- Note 6 related to leases
- Note 9 related to long-term debt
- Note 12 related to retiree health benefits
- Note 13 related to retirement benefits

### *Significant Unusual Transactions*

We encountered no significant unusual transactions during our audit of the College's and of 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 of 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 to 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 ___, 2022.

### *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 ___, 2022

**ACTION ITEM**

1. **REPORT BY:** General Counsel John K. DiPaolo
Chief Financial Officer David Seward

2. **SUBJECT:** State Contracts Over $100,000 – Name Change Litigation

3. **RECOMMENDATION:**

That the Board of Directors ratifies the decision of the Executive Committee authorizing an agreement with Gibson Dunn for legal services and media and public affairs costs related to potential litigation arising from Chapter 478, Statutes of 2022 (AB 1936) in an amount not to exceed $1,900,000.

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| **Item:** | *5.1.1 |
| **Title:** | Legal and Public Affairs Services |
| **Vendor Name:** | Gibson Dunn |
| **Cost:** | $1,900,000 |
| **Term of Contract:** | September 26, 2022, to June 30, 2024 |

**Description:**

Authority is requested to enter into an agreement with Gibson Dunn at a cost not to exceed $1.9 million. Of the $1.9 million requested, $1.7 million would be to support legal costs associated with mounting of defense and $200,000 for cost associated with media and public affairs.

The selection was based on a competitive process based on the results of a Request for Proposal. Five firms responded to this solicitation and were interviewed. The firm Gibson Dunn was selected based on their qualifications and expertise.

The fee agreement is outlined below:

- Gibson Dunn would use the following caps for the following alternative scenarios:
    1. If the College is named as a defendant, Gibson Dunn would handle all work, from factual and legal investigation, to a motion for preliminary injunction/TRO, and two appeals, for $1,306,000. This would also include any answer to a complaint and filing/seeking an expedited determination of the name-change issue (e.g., if the plaintiffs do not seek a TRO or PI). This assumes no discovery/depositions, other motions (e.g., motion to intervene, motion to amend the complaint, summary judgment motions, motions for judgment on the pleadings, etc.), or trial. To the extent the College moves to dismiss or files a demurrer, Gibson Dunn would perform that work in the trial court subject to a separate cap of $150,000; however, amounts beyond $150,000 may also be billed, but such amounts will be applied against the $1,306,000 cap stated above.

2. If the College initiates legal proceedings, Gibson Dunn would perform all work, from factual and legal investigation, to a motion for preliminary injunction/TRO, and two appeals, for $1,404,000. Again, this assumes no discovery/depositions, other motions (e.g., motion to intervene, demurrer/motion to dismiss by plaintiffs, motion to amend the complaint, summary judgment motions, motions for judgment on the pleadings, etc.), or trial.
3. For either Scenario 1 or Scenario 2 above, until the cap is reached, Gibson Dunn will bill the College monthly at a 20% discount off its standard rates. Gibson Dunn will work with the College to cost-effectively leverage the high-level skills of the partners where they will have the most impact, balanced with utilization of more junior attorneys and staff where they can provide the high-level advocacy and support required. Ted Boutros will argue any critical motions, such as a TRO, PI and any appeals therefrom, unless the College and Gibson Dunn agree otherwise.
4. If the scope of work on this case necessary to litigate the matters subject to the above fee caps materially changes beyond what the College and Gibson Dunn presently anticipate, the parties will work together in good faith to ensure Gibson Dunn is not economically disadvantaged by the caps.

- If the College is maintains the name "UC College of the Law, San Francisco" and the College's status as an affiliate of the University of California remains unchanged because the College ultimately prevails, after appeals, on any motion to dismiss, demurrer, or motion for preliminary injunction/TRO, then Gibson Dunn would be entitled to a recoupment of discounts ("Recoupment") of $250,000. To the extent the College prevails via settlement *after* a court has ruled on any motion to dismiss, demurrer, or motion for preliminary injunction/TRO, then Gibson Dunn remains entitled to a Recoupment of $250,000. To the extent the College achieves prevails via settlement after litigation has been initiated but *before* a court has ruled on any motion to dismiss, demurrer, or motion for preliminary injunction/TRO, then Gibson Dunn would be entitled to a Recoupment of $100,000. To the extent the College prevails before litigation has been initiated, Gibson Dunn would not be entitled to a Recoupment.

- To the extent there is any work outside that described above, we propose to do that work at a discount of 20% off our standard rates for any deposition-related work (deposition prep and depositions), and 15% off our standard rates for any other tasks, including discovery other than depositions, additional motion practice, trial, or additional appeals.

- Gibson Dunn would work collaboratively with the College to select professional services to support media and public affairs support.

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## 4. PROPOSED RESOLUTION:

Resolved, that the Board of Directors ratify the decision of the Executive Committee authorizing an agreement with Gibson Dunn for an amount not to exceed $1.9 million for legal services and media and public affairs support.

**ACTION ITEM**

**1. REPORT BY:** Chief Financial Officer David Seward

**2. SUBJECT:** State Contracts Over $100,000 – Security

**3. RECOMMENDATION:**

That the Board of Directors approves the contract with Commercial Controls for security system software and maintenance.

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**Item:** *5.1.2

**Title:** Security Systems
**Vendor Name:** Commercial Controls Corporation
**Cost:** $220,860
**Term of Contract:** October 10, 2022, to October 9, 2025

**Description:**

Authority is requested to enter into a three-year agreement with Commercial Controls for software and maintenance services for the College's access control and alarm monitoring system, video surveillance and intercom systems.

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**4. PROPOSED RESOLUTION:**

Resolved, that the Board of Directors authorize an agreement with Commercial Controls for an amount not to exceed $220,860 for security system maintenance.

**ACTION ITEM**

**1. REPORT BY:** Chief Financial Officer David Seward

**2. SUBJECT:** 2022-23 State Budget Change – AB 1936 Potential Litigation Legal Services & Public Affairs

**3. RECOMMENDATION:**

That the Board of Directors ratify the decision of the Executive Committee to authorize a budget change of $1,900,000 to the 2022-23 state budget for legal services related to potential litigation associated with AB-1936.

**4. BACKGROUND:**

The Board of Directors adopted the 2022-23 state budget at its meeting of September 9, 2022. Based on projected revenues and the Board of Directors' authorization of the 2022-23 spending plan, an ending operating reserve (with market valuation as of 6/30/2022) of $20.5 million is projected adjusted for budget carryovers for alternative security services and program funding for the California Institute of Law, Neuroscience and Education.

Of the $1.9 million requested, $1.7 million would be to support legal costs associated with mounting of defense and $200,000 for cost associated with media and public affairs.

The State Operating Reserve would be the funding source for this allocation. It is currently unknown the extent to which the College's general liability or legal defense policies might provide coverage; coverage analysis is currently underway. Cost recovery will be sought from the Department of Finance as part of the 2023-24 state budget.

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**4. PROPOSED RESOLUTION:**

Resolved, that Board of Directors ratify the Executive Committee authorization of an allocation of $1.9 million from the State Operating Reserve as a state budget change for 2022-23.