

# ANNUAL FINANCIAL REPORT

**2020–2021**

**UCLA**











Photo by Nurit Katz, "Great Horned Owlets at UCLA"

## CONTENTS

- [02](#) Letter from the Chancellor
- [06](#) Campus and Financial Highlights
- [08](#) Management's Discussion and Analysis
- [32](#) Transmittal Letter
- [34](#) Financial Statements
- [40](#) Notes to Financial Statements



# LETTER FROM THE CHANCELLOR



**This fiscal year was truly unprecedented in UCLA's 102-year history.**

In our first full year spent navigating the COVID-19 pandemic, nearly all of our classes were held remotely. The vast majority of campus employees conducted their work only through computer screens. Our health system was stretched to its limits treating COVID-19 patients during a winter surge in caseloads. But through it all, the resilience of the Bruin community shined brightly. We honed our expertise in remote education and devised new and interesting ways to connect with one another, the local community and the global Bruin network.

The pandemic did take a significant financial toll on UCLA, with an impact in the high hundreds of millions of dollars in terms of new costs and lost revenues. This was largely due to lost health system revenues in 2020, losses from our auxiliaries like housing and hospitality, costs for remote learning technology and software, and costs for new protocols like enhanced campus cleaning. Despite the challenges, I am proud that we made a commitment not to lay off any UCLA employees due to the pandemic, but only to reassign them if needed.

While our financial difficulties are substantial, we are on an upward trajectory due to our own careful planning as well as a robust California state allocation to UC, new federal stimulus funds, and the resumption of some of our regular revenue-generating activities at UCLA Health and on campus. The generosity of our many supporters was essential to our maintaining a strong financial position as well. We raised \$611 million this year to support students and advance critical research. Of the more than 75,000 gifts, nearly 95% were less than \$10,000. Many gifts focused on helping students adapt to distance learning, supporting students from underrepresented groups and backing professors' timely research on global issues.

I am also immensely proud of how all of our students, staff, faculty and alumni adjusted, re-adjusted and thrived during this time of change and uncertainty.

One area of focus at UCLA this year was better serving a more diverse student body. In an effort to enroll more

learners of Latinx descent — an initiative that is especially important in light of changing demographics within the state of California — we announced a commitment to become federally designated as a Hispanic-Serving Institution by 2025. This would qualify UCLA for a range of federal grants to bolster our educational programs and benefit Latinx communities and all others on our campus. Part of this initiative includes building up UCLA's intellectual community devoted to Latinx life and experiences.

We also commemorated the longstanding success of two other efforts aimed at supporting students of diverse backgrounds and identities. Our Academic Advancement Program — a national model for supporting first-generation students, low-income students and students who have been historically underrepresented in higher education — celebrated its 50th anniversary. Our LGBTQ Student Resource Center marked 25 years of building a supportive community for LGBTQ Bruins that also provides programming, counseling services, academic resources and career guidance.

Recognizing that our investments in remote teaching enable us to share UCLA's educational offerings with those well outside of Los Angeles, we also launched a new lifelong learning initiative. Bruin Promise, a partnership between UCLA Alumni and UCLA Extension, will provide free or low-cost remote education and opportunities for our alumni wherever they live.



Photo by Reed Hutchinson

**“These achievements would not be possible without the incredible support we receive from people the world over who believe deeply in UCLA’s important public mission.”**

● Gene D. Block

Amid the social justice reckoning of the summer of 2020, UCLA announced several steps to combat racism and promote racial justice both on campus and in the world. In September, we provided an update on these initiatives, which include expanding our intellectual community devoted to Black life and racial equity; establishing the Black Bruin Resource Center (pictured above) and the Civil Rights Office within the Office of Equity, Diversity and Inclusion; and appointing Professor Vickie Mays as special advisor to the chancellor on Black life.

This year also saw an alarming rise in anti-Asian hate crimes across the country. UCLA reiterated a commitment to our Asian and Pacific Islander communities and came together for several events dedicated to stopping Asian hate, including a UCLA Law discussion on the legal history of discrimination against Asian American Pacific Islander communities in America.



Courtesy BruinsVote

Of course, 2020 was also a U.S. presidential election year. As a public institution, UCLA has the responsibility to ensure our community is versed in the issues and encouraged to participate in the democratic process. Our student organizations took the lead in getting resources and information out to the campus via BruinsVote (pictured below), a non-partisan coalition focused on promoting civic engagement through voter registration, education and turnout. Many other campus groups hosted events and provided post-election analysis.

After a year of virtual commencement ceremonies, we were able to organize in-person recognitions for our Classes of 2020 and 2021. A series of events at Drake Stadium and the Los Angeles Tennis Center brought loved ones together on campus for the first time in many, many months, and offered a way for our students to celebrate their well-deserved accomplishments. Hundreds of UCLA staff members made those events possible, and I am grateful for their efforts.

Although it was a fully remote year, we still had much to celebrate as a campus community.

We broke another campus research record with \$1.6 billion in research awards in the 2020–21 fiscal year — an increase of 13% over 2019–20 that involved more than 7,000



Photo by Reed Hutchinson

award transactions. This was the eighth year in a row that research funding has increased.

UCLA was ranked the No. 1 public university in the country by *U.S. News & World Report* for the fifth year in a row. We were also recognized as the No. 1 public university for veterans. Additionally, UCLA Health hospitals were ranked No. 1 in both Los Angeles and California and rose to No. 3 nationally. It was the first time UCLA Health has been ranked so highly nationally while also holding the top positions in both the city and the state.

Just on the heels of UCLA Professor Andrea Ghez winning the Nobel Prize in Physics in 2020, an inspiring UCLA alumnus and now a professor at the Scripps Research Institute, Ardem Patapoutian, was one of two winners of the 2021 Nobel Prize in physiology or medicine for his discovery of receptors in the body that respond to temperature and touch. Patapoutian's story is a testament to the power of public education, as he fled civil war in Lebanon to come to California, scraped together money for a UC tuition, discovered his passion at UCLA and went on to reshape his discipline.

Additionally, Guido Imbens, a Stanford University professor who was a UCLA faculty member from 1997 to 2001, was one of three winners of the 2021 Nobel Memorial Prize in Economic Sciences for his contributions to the analysis of causal relationships.

On the Athletics front, UCLA men's water polo won the NCAA championship, bringing UCLA's total number of championships to 119. Women's volleyball placed second in the nation, men's basketball captured the attention of millions when the team reached the Final Four, and many Bruin athletes competed and took home medals in the Tokyo Olympics.

We also appointed several outstanding administrators to UCLA's leadership team this year.

Christina Christie was named Wasserman Dean of the UCLA School of Education and Information Studies (Ed&IS). A UCLA Ed&IS alumna and faculty member, Christie is professor of education and had served as interim dean of the school since July 2020. Before joining UCLA in 2010, she served for nine years on the faculty at Claremont Graduate

University. She is a scholar of program and policy evaluation with research focused on understanding evaluation as a method for facilitating social change.

Susan Ettner was named dean of graduate education. A UCLA faculty member since 1999, she is professor of general internal medicine and health services research in the David Geffen School of Medicine and professor of health policy and management in the Fielding School of Public Health. She had served as interim dean of graduate education since August 2020, preceded by three years as associate dean in the Graduate Division. Before coming to UCLA, she served for nine years as a faculty member in the Department of Health Care Policy at Harvard University. Her current research focuses primarily on behavioral health policy.

Lin Zhan was named dean of the UCLA School of Nursing. She was previously dean and professor of nursing at the University of Memphis Loewenberg College of Nursing, serving as the chief academic officer for the college's programs on two campuses in Memphis and Jackson, TN. Her scholarly interests are focused on health equity for the vulnerable, instrument development to measure health-related behaviors, and higher education diversity and workforce development.

These achievements would not be possible without the incredible support we receive from people the world over who believe deeply in UCLA's important public mission. I am personally grateful to everyone who continues to stand with UCLA, even in our most trying times. We are undoubtedly stronger together.

Sincerely,



Gene D. Block  
Chancellor







# CAMPUS AND FINANCIAL HIGHLIGHTS





**CAMPUS AND FINANCIAL HIGHLIGHTS***Years ended, 2021 and 2020 (in millions of dollars)*

	2021	2020
<b>CAMPUS LAND AREA</b>	419 acres	419 acres
<b>ENROLLMENT - FALL QUARTER</b>		
Undergraduates	31,636	31,543
Graduates, and Interns and Residents	14,364	14,199
<b>EMPLOYEE COUNT</b>		
Full-Time Equivalent	38,118	38,588
<b>NET POSITION</b>		
Beginning of Year	\$(1,131)	\$107
End of Year	\$354	\$(1,131)
<b>ASSETS:</b>		
Total Current Assets	\$2,944	\$2,687
Total Noncurrent Assets and Deferred Outflows	\$16,818	\$15,137
	<b>\$19,762</b>	<b>\$17,824</b>
<b>LIABILITIES:</b>		
Total Current Liabilities	\$2,148	\$2,323
Total Noncurrent Liabilities and Deferred Inflows	\$17,260	\$16,632
	<b>\$19,408</b>	<b>\$18,955</b>
<b>REVENUE:</b>		
Operating Revenue	\$8,072	\$7,735
Nonoperating Revenue (Core Activities)	\$1,115	\$1,252
	<b>\$9,187</b>	<b>\$8,987</b>
Principal Sources of Operating Revenue:		
Student Tuition and Fees	\$891	\$916
Grants and Contracts	\$1,188	\$1,080
Sales and Services	\$5,789	\$5,503
Principal Sources of Nonoperating Revenue:		
State Educational Appropriations	\$454	\$536
<b>EXPENDITURES:</b>		
Operating Expense	\$9,212	\$9,710
Nonoperating Expense (Core Activities)	\$162	\$210
	<b>\$9,374</b>	<b>\$9,920</b>
Principal Operating Expenditures:		
Salaries and Wages	\$4,194	\$4,074
Benefits	\$1,849	\$2,564
Supplies and Materials	\$1,280	\$1,135

# MANAGEMENT'S DISCUSSION AND ANALYSIS



Photo by Ann Johansson



The objective of Management's Discussion and Analysis (MD&A) is to help readers of the University of California Los Angeles' (UCLA's) financial statements better understand the financial position and operating activities for the year ended June 30, 2021, with selected comparative information for the years ended June 30, 2020 and 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2019, 2020, 2021, etc.) in this discussion refer to the fiscal years ended June 30.

UCLA is one of 10 campuses within the University of California system (the University). The UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB). The three basic financial statements in this report—the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows—encompass the UCLA campus and its discretely presented components, the UCLA Foundation and the Jonsson Cancer Center Foundation. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements. However, the MD&A and the notes to the financial statements focus mainly on the campus; information relating to The UCLA Foundation and the Jonsson Cancer Center Foundation (JCCF) can be found in separately issued audited financial statements at [www.uclafoundation.org](http://www.uclafoundation.org) and [www.cancer.ucla.edu](http://www.cancer.ucla.edu). Also, audited financial statements for the UCLA Medical Center are in the University of California's combined medical centers report, available at [www.ucop.edu/financial-accounting/financial-reports](http://www.ucop.edu/financial-accounting/financial-reports).

### **The University of California**

The University of California, one of the largest and most acclaimed institutions of higher learning in the world, is dedicated to excellence in teaching, research, health care, and public service. The University has annual resources of nearly \$41.2 billion and encompasses ten campuses, five medical centers, four law schools, and a statewide Division of Agricultural and Natural Resources. The University is also involved in the operation and management of three national laboratories for the U.S. Department of Energy (DOE). The

consolidated audited financial report of the University of California is available at <http://www.universityofcalifornia.edu/reportingtransparency>.

### **The Los Angeles Campus of the University of California**

UCLA was founded in 1919 and is financially the largest campus in the 10-campus University of California system, with an annual budget of approximately \$9.3 billion. The financial statements included in this annual report encompass the following:

**Campus** – The Los Angeles campus spans 419 acres in Westwood and is devoted to undergraduate and graduate scholarship serving over 46,000 students in the following schools:

#### **College of Letters and Science**

General  
Humanities  
Institute of the Environment & Sustainability  
International Institute  
Life Sciences  
Physical Sciences  
Social Sciences

#### **Health Sciences Programs**

David Geffen School of Medicine  
Jonathan and Karin Fielding School of Public Health  
School of Dentistry  
School of Nursing  
Semel Institute for Neuroscience and Human Behavior

#### **Professional Schools**

School of Education & Information Studies  
Henry Samueli School of Engineering & Applied Sciences  
John E. Anderson School of Management  
Meyer and Renee Luskin School of Public Affairs  
School of Law  
School of the Arts and Architecture  
School of Theater, Film, and Television  
Herb Alpert School of Music

#### **Basic Biomedical Sciences**

Letters and Science: Basic Biomedical Sciences  
Medicine: Basic Biomedical Sciences

During the 2020–21 academic year, UCLA offered approximately 7,200 undergraduate and graduate courses in 186 subject areas, producing more than 436,000 enrollments in primary classes and 233,000 enrollments in laboratory and discussion sections. Known for academic excellence, many of UCLA's programs are rated among the best in the nation, and some are among the best in the world. Few universities offer the range and diversity of academic programs available to UCLA students.

The campus' mission also includes a strong dedication to research and public service. The UCLA community focuses on environmental issues, economic and social policy concerns, public education reform, and the cost of health care and medical advances. More than 7,100 research projects are being conducted on campus at any given time. For 2021, UCLA expenditures for research were approximately \$963 million. UCLA was ranked the No. 1 public university in the country by *U.S. News & World Report* for the fifth year in a row.

UCLA Extension offers the public over 5,900 continuing education courses annually, covering professional and career development, academic enrichment, and personal growth, attracting over 49,000 individual students from the communities of Southern California and worldwide.

UCLA employed over 46,100 faculty, administrators and staff (including casual and student employees), filling approximately 38,100 full-time-equivalent positions, and spent \$6.0 billion in compensation costs for the fiscal year ended June 30, 2021. UCLA's employees are distinguished for their contributions to education, research, and public service.

Distinguished honors and awards to UCLA alumni and faculty include the following:

- Three alumni awarded Nobel Prizes for chemistry (1951, 1984, 2010), two for economics (1990, 2009), one for physiology or medicine (2013), and one for peace (1950)
- Four faculty members awarded Nobel Prizes for chemistry (1960, 1987, 1997, 2016), two for physics (1965, 2020), one for physiology or medicine (1998), and one for economic sciences (2012)
- Eleven alumni awarded Rhodes Scholarships (1936, 1948, 1955, 1962, 1969, 1971, 1973, 1997, 2009, 2010)
- Eleven faculty members and two alumni awarded the President's National Medal of Science from the National

Science Foundation (1964, 1965, 1966, 1970, 1989, 1991, 1993, 1994, 1996, 1999, 2007, 2011)

- One faculty member awarded the Fields Medal for Outstanding Discoveries in Mathematics from the International Congress of the International Mathematical Union (2006)
- Four alumni, two faculty, and one staff members awarded the Presidential Medal of Freedom (1963, 1984, 1993, 2000, 2003, 2016)

The Center for the Art of Performance at UCLA, the Fowler Museum at UCLA, the Hammer Museum, and the UCLA Film & Television Archive provide both academic programs and a wide array of public events second to none.

During the fiscal year 2021, UCLA's on-campus physical plant included 4 new on-campus buildings under construction, along with 223 existing buildings. Off campus, UCLA owns or manages 163 buildings and has 193 existing leases for various programmatic activities. UCLA has 21 libraries, housing more than 12 million volumes, a cogeneration power plant, the Luskin Conference Center, the UCLA Conference Center at Lake Arrowhead, on-campus student housing for more than 11,000 undergraduates, off-campus student and faculty apartments, and more.

**UCLA Health System** is comprised of Ronald Reagan UCLA Medical Center, UCLA Medical Center Santa Monica, Resnick Neuropsychiatric Hospital at UCLA, UCLA Mattel Children's Hospital, and the many UCLA Faculty Practice Groups. With its wide-reaching system of primary-care and specialty-care offices throughout the region, UCLA Health System is among the most comprehensive and advanced health care systems in the world. UCLA Health hospitals earned No. 1 in both Los Angeles and California and rose to No. 3 in the nation on the Honor Roll in *U.S. News & World Report* Best Hospitals rankings. It is nationally ranked in 14 adult and 6 pediatric specialties and rated high performing in 17 adult procedures and conditions. The UCLA Medical Center comprises the primary teaching hospitals for the David Geffen School of Medicine at UCLA. Information relating to UCLA Health System can be found at <http://www.uclahealth.org>.



Key Operating metrics for the UCLA Medical Center for the fiscal years ended June 30 are as follows:

			Increase / (Decrease)	
	2021	2020	Amount	%
Operating Statistics				
Licensed beds	801	800	1	0.1%
Admissions	35,691	36,402	(711)	(2.0)%
Average daily census	698	686	12	1.7%
Discharges	35,617	36,429	(812)	(2.2)%
Average length of stay	7.20	6.90	0.30	4.3%
Patient days	254,777	250,939	3,838	1.5%
Case mix index	2.36	2.21	0.15	6.8%
Outpatient visits	821,898	727,374	94,524	13.0%
Outpatient Visits				
Hospitals and clinics	760,969	653,916	107,053	16.4%
Emergency visits	60,929	73,458	(12,529)	(17.1)%
Total	821,898	727,374	94,524	13.0%

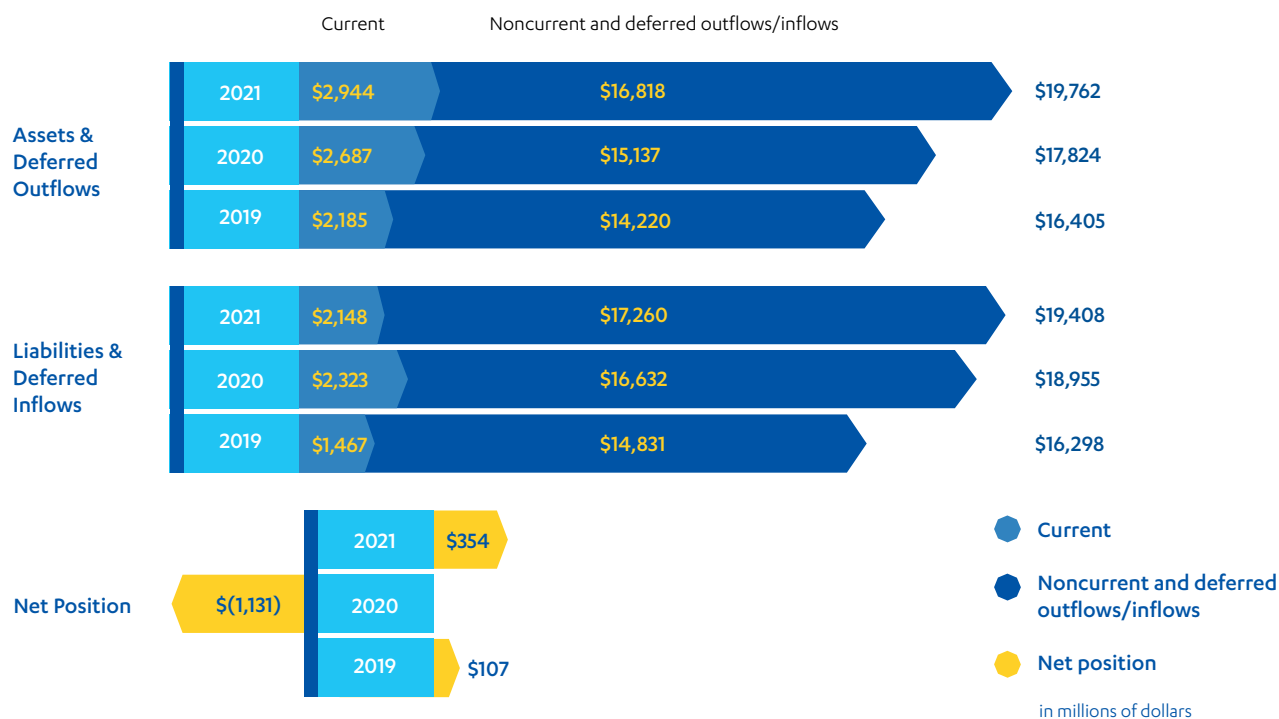
**An overview** – The following table reflects the composition of UCLA for 2021, listing enrollment figures, full-time-equivalent employee figures, and operating expenses by organization.

<i>(in millions of dollars)</i>	Undergraduates	Graduates, Interns and Residents	Full Time Equivalent (Includes Students)	Salaries and Wages	Benefits	Other Expenditures	Total Expenditures
<b>Organizations</b>	<b>Fall Enrollment</b>		<b>Employees</b>	<b>Operating Expenses</b>			
College of Letters and Science	25,473	2,991	3,663	\$386	\$158	\$96	\$640
School of Dentistry		498	383	39	15	20	74
School of Education & Information Studies	7	744	328	35	15	17	67
School of Engineering & Applied Science	3,923	2,185	906	99	42	34	175
School of Law		1,086	314	47	18	28	93
School of Management		2,250	464	70	27	47	144
School of Medicine		2,321	9,322	1,328	474	849	2,651
School of Music	347	144	154	17	7	5	29
School of Nursing	199	416	126	14	6	5	25
School of Public Affairs	154	525	228	26	11	14	51
School of Public Health		606	342	39	16	21	76
School of the Arts and Architecture	591	282	416	35	16	8	59
School of Theater, Film and Television	347	316	195	20	9	5	34
Basic Biomedical Sciences	595		186	19	8	16	43
Medical Center			10,309	1,099	527	1,199	2,825
Medical Group			2,517	228	119	276	623
Neuropsychiatric Hospital			403	43	22	13	78
Semel Institute			829	82	36	43	161
University Extension			343	36	15	26	77
All Others			6,690	532	308	5	845
Subtotal Organizations	31,636	14,364	38,118	4,194	1,849	2,727	8,770
Depreciation Expense						416	416
Impairment of Capital Assets						3	3
Other Operational Expenditures						23	23
<b>Total</b>	<b>31,636</b>	<b>14,364</b>	<b>38,118</b>	<b>\$4,194</b>	<b>\$1,849</b>	<b>\$3,169</b>	<b>\$9,212</b>



### THE CAMPUS' FINANCIAL POSITION

The University implemented a new Chart of Accounts (COA) in 2021. The redesigned COA enhances systemwide reporting and UCLA has adapted it for the 2021 Annual Financial Report. As such, financial information for 2020 and 2019 has been restated to retroactively apply the change in COA.



The Statement of Net Position presents the financial position of UCLA at the end of each year. It displays all of UCLA's assets, deferred outflows, liabilities, and deferred inflows. The difference between assets, deferred outflows, liabilities, and deferred inflows is net position. The major components of the assets, deferred outflows, liabilities, deferred inflows, and net position as of June 30, 2021, 2020, and 2019 are as follows:

**Assets, deferred outflows & inflows,  
liabilities, net position**

<i>(in millions of dollars)</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>			
Investments	\$8,779	\$6,441	\$6,259
Accounts receivable, net	1,142	977	975
Capital assets, net	7,193	6,820	6,335
Other assets	374	358	358
<b>Total assets</b>	<b>17,488</b>	<b>14,596</b>	<b>13,927</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	<b>2,274</b>	<b>3,227</b>	<b>2,478</b>
<b>LIABILITIES</b>			
Debt, including			
commercial paper	5,232	4,085	3,479
Net pension liability,			
including pension			
payable to UCOP	2,670	5,765	5,014
Net retiree health			
benefits liability	5,491	5,188	4,336
Other liabilities	1,997	1,866	1,468
<b>Total liabilities</b>	<b>15,390</b>	<b>16,904</b>	<b>14,297</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	<b>4,018</b>	<b>2,050</b>	<b>2,001</b>
<b>NET POSITION</b>			
Net investment in			
capital assets	2,593	2,979	3,161
Restricted:			
Nonexpendable	345	333	325
Expendable	2,294	1,689	1,581
Unrestricted	(4,878)	(6,132)	(4,960)
<b>Total net position</b>	<b>\$354</b>	<b>\$(1,131)</b>	<b>\$107</b>

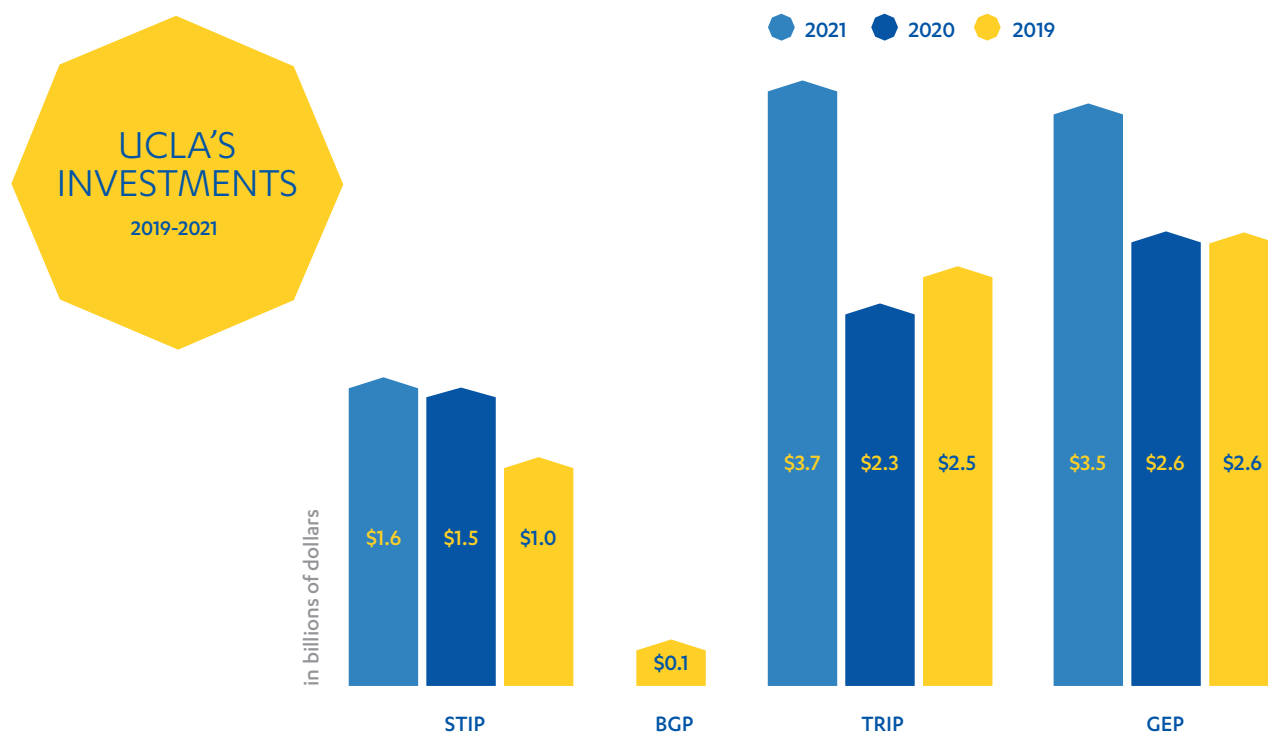
**The campus' assets and deferred outflows**

UCLA's total assets and deferred outflows of resources have increased to \$19.8 billion in 2021, compared to \$17.8 billion in 2020 and \$16.4 billion in 2019. Capital assets have increased due to continued investments in facilities in excess of depreciation. Investments increased due to positive financial market returns and unspent debt proceeds. Deferred outflows have fluctuated primarily due to changes in UCLA's net pension and retiree health benefits liabilities.

**Investments**

Investments held by the University are principally carried in four investment pools: the Short Term Investment Pool (STIP), the Total Return Investment Pool (TRIP), the Blue and Gold Pool (BGP), and the General Endowment Pool (GEP). Cash for operations are invested in STIP. The University uses STIP to meet operational liquidity needs. TRIP provides the opportunity to enhance returns on long-term capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. The University maximizes its use of TRIP while still maintaining sufficient funds in STIP to meet operational and liquidity needs. BGP was created to enhance returns by passively investing funds in the equity and fixed-income markets while still maintaining liquidity. The investment policy for TRIP is balanced between equities and fixed income while the investment policy for BGP is more heavily weighted toward equities. GEP is a balanced portfolio and the primary investment vehicle for individual endowments and funds functioning as endowments.

The Regents of the University of California (The Regents) utilizes asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. GEP had positive returns of 33.7 percent in 2021, 5.0 percent in 2020 and 8.2 percent in 2019. BGP commenced operations on April 1, 2019 and had a positive return of 3.5 percent from inception through June 30, 2019. BGP had a negative 5.0 percent return from July 1, 2019 through April 30, 2020, when the pool was liquidated. TRIP had positive returns of 21.2 percent, 1.7 percent and 6.3 percent in 2021, 2020, and 2019, respectively. STIP had positive returns of 0.8 percent, 2.1 percent and 2.2 percent in 2021, 2020, and 2019, respectively.



### Accounts receivable, net

Accounts receivable include amounts due from state and federal governments on contracts and grants, patient receivables for the medical center and professional medical fees, and amounts due for private grants and contracts. Receivables fluctuate based on the timing of collections.

### Capital assets, net

UCLA's enrollment growth and continuing needs for renewal, modernization and seismic correction of existing facilities are the key drivers of capital investments. Capital spending continues at a brisk pace in order to provide the facilities necessary to support UCLA's teaching, research, and public service mission and for patient care. Capital spending includes constructing and renovating academic buildings, research laboratories, libraries, student services, parking structures, and infrastructure projects. Total additions to capital assets were \$803 million in 2021 as compared to \$914 million in 2020 and \$516 million in 2019. Completed buildings and improvements in 2021 include the Shepherd Ivory Franz Hall Renovation for \$51 million. Acquisitions in 2021 include properties on 11752, 11760, 11768, and 11776 Santa Monica Boulevard, and 1514 Granville Avenue for \$122 million.

Major projects under construction include Southwest Campus Apartments (housing for graduate and upper-division undergraduate students) with cumulative costs of \$253 million, Lot 15 Residence Hall (housing for first- and second-year undergraduate students) with cumulative costs of \$193 million, 10995 Le Conte Apartments (housing for upper-division undergraduate students) with cumulative costs of \$151 million, Project Midway Acquisition with cumulative costs of \$58 million, and Botany Building Renovation with cumulative costs of \$28 million as of FY 2021.

### Other assets

Other assets include cash, investments held by trustees, pledge receivables, note and mortgage receivables, and inventories.

### Deferred outflows of resources

Changes in fair values of the University's interest rate swaps that are determined to be hedging derivatives, losses on debt refundings, asset retirement obligations and certain changes in the net pension and net retiree health benefits liabilities are reported as deferred outflows of resources. In 2021, deferred outflows decreased due to higher than expected investment returns for the University of California Retirement



Plan (UCRP) portfolio. In 2020, deferred outflows increased primarily due to lower than expected investment returns for the UCRP portfolio and the reduction in the discount rate used for estimating the net retiree health benefits liability.

### **The campus' liabilities and deferred inflows**

UCLA's liabilities and deferred inflows of resources increased to \$19.4 billion in 2021 as compared to \$19.0 billion in 2020 and \$16.3 billion in 2019. The change in 2021 was primarily related to the issuance of additional debt to finance capital projects and to fund operations. In 2021, the liability for pension benefits decreased and deferred inflows increased due to favorable market performance in the UCRP investment portfolio. In 2020, the increase was primarily related to increases in the liability for pension benefits and other liabilities.

### **Debt, including commercial paper**

Capital assets are financed from a variety of sources, including equity contributions, state support, gifts, revenue bonds, bank loans, and leases. Commercial paper and bank loans provide interim financing for capital assets during the construction period. In 2021, due to pandemic and favorable market conditions, UCLA issued \$678.0 million of debt to fund operations. Outstanding debt increased by \$1.1 billion and \$0.6 billion in 2021 and 2020, respectively.

UCLA's debt, which is used to primarily finance capital assets, includes \$19 million, \$279 million, and \$19 million of commercial paper outstanding at the end of 2021, 2020, and 2019, respectively. Total debt outstanding was \$5.2 billion at the end of 2021 compared to \$4.1 billion and \$3.5 billion at the end of 2020 and 2019, respectively.

In 2021, General Revenue Bonds of \$678 million were issued for operations and \$161 million to finance certain facilities and projects. Proceeds of \$85 million were used to retire bonds. Limited Project Revenue bonds of \$731 million were issued to finance the acquisition, construction, improvement and renovation of certain UCLA facilities. Proceeds of \$11 million were used to retire bonds. UCLA sold \$69 million of tax-exempt Limited Project Revenue Bonds that are expected to be delivered in February 2022 to refinance Limited Project Revenue Bonds that become callable. Reductions to outstanding debt were \$175 million in principal payments and amortizations.

The University's General Revenue Bond ratings are currently affirmed at Aa2, AA and AA by Moody's Investors Service, Standard & Poor's and Fitch, respectively, with a positive outlook by Moody's Investors Service and stable outlooks by Standard & Poor's and Fitch. The University's Limited Project Revenue Bonds and Medical Center Pooled Revenue Bonds are currently affirmed at Aa3, AA- and AA- by Moody's Investors Service, Standard & Poor's and Fitch, respectively, with a positive outlook by Moody's Investors Service and stable outlooks by Standard & Poor's and Fitch.

Commercial paper borrowings decreased by \$260 million in 2021 compared to 2020, and increased by \$260 million in 2020 compared to 2019. Commercial paper is primarily used as interim financing for construction projects and short-term financing for other needs. Commercial paper fluctuates based upon the timing of refinancing construction projects with the issuance of long-term revenue bonds. The University has various revolving credit agreements totaling \$700 million with major financial institutions for the purpose of providing additional liquidity for certain variable-rate bonds, commercial paper, and other liquidity needs.

### **Net pension liability and retiree health benefits**

The University has a financial responsibility for pension benefits associated with its defined benefit plans and for retiree health benefits. UCLA's net pension liability was \$1.5 billion, \$4.7 billion, and \$4.0 billion in 2021, 2020, and 2019, respectively. The decrease in 2021 and the increase 2020 were driven by investment returns for the UCRP portfolio. In 2021, market performance was favorable compared to expected returns, and in 2020, market performance was unfavorable compared to expected returns. The total investment rate of return for UCRP was 30.5 percent in 2021, 1.7 percent in 2020 and 6.0 percent in 2019. The discount rate used to estimate the net pension liability was 6.75 percent in 2021, 2020 and 2019.

UCLA's net retiree health benefits liability was \$5.5 billion, \$5.2 billion, and \$4.3 billion in 2021, 2020, and 2019, respectively. While retiree health benefits are not a legal obligation of the University and can be canceled or modified at any time, accounting standards require the University to recognize a net retiree health liability based on the current practices of providing retiree health benefits. The University funds the retiree health benefits through the University of California

Retiree Health Benefit Trust (UCRHBT) based on a projection of benefits on a pay-as-you-go basis, and the assets in the trust are not sufficient to fund retiree health benefits. Therefore, the Bond Buyer 20-year tax-exempt general obligation municipal-bond index rate is used to discount the retiree health benefits liabilities. The increases in the net retiree health benefits liabilities in both 2021 and 2020 were primarily driven by decreases in the discount rates. The discount rates as of June 30, 2021, 2020 and 2019 were 2.16 percent, 2.21 percent and 3.50 percent, respectively.

**Other liabilities**

Other liabilities consist of accounts payable, accrued salaries, other employee benefits, unearned revenue, federal refundable loans, and self-insurance liabilities. Centers for Medicare & Medicaid Services (CMS) modified the advance payment program for health care providers as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act,

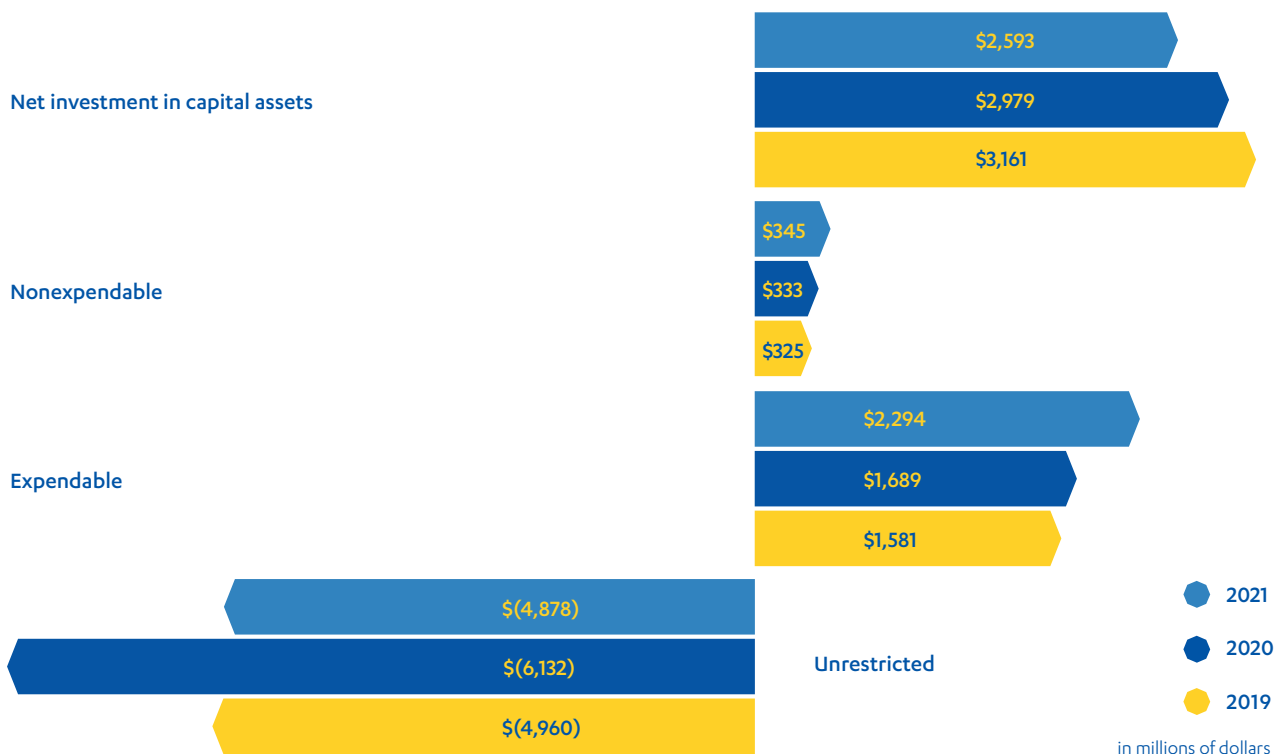
and UCLA Medical Center received advances under this program of \$246.9 million and \$276.5 million as of June 30, 2021 and 2020, respectively, which is reported in other current liabilities. Accrued salaries increased due to the timing of payroll and benefit payments. Accrued liabilities increased by \$67.5 million and \$33.0 million at June 30, 2021 and 2020 due to the deferral of deposits for the employer's share of the Social Security taxes as permitted under the CARES Act.

**Deferred inflows of resources**

Deferred inflows of resources are related to gains on debt refundings, sales of certain future patent royalty revenues, changes in the estimated future value of irrevocable split-interest agreements, and certain changes in the net pension and net retiree health benefits liabilities. Changes in deferred inflows of resources were primarily due to fluctuations in the net pension liability related to investment market performance and the retiree health liability as a result of changes in the discount rate.

## THE CAMPUS' NET POSITION

Net position represents the residual interest in UCLA's assets and deferred outflows after all liabilities and deferred inflows are deducted. UCLA's net position was positive \$354 million in 2021, compared to negative \$1,131 million in 2020 and positive \$107 million in 2019. Net position is reported in the following categories: net investment in capital assets; restricted, nonexpendable; restricted, expendable; and unrestricted.



### Net investment in capital assets

The portion of net position invested in capital assets, net of accumulated depreciation and the related outstanding debt used to finance the acquisition, construction, or improvement of these capital assets, was \$2.6 billion in 2021 compared to \$3.0 billion in 2020 and \$3.2 billion in 2019. To support its growth, UCLA continues to invest in its physical facilities, and financing with debt is used for a significant portion of the investments. Net investment in capital assets decreased in 2021 by \$0.4 billion due to depreciation and disposals outpacing non-financed capital spending.

### Restricted, nonexpendable

Restricted, nonexpendable net position includes the corpus of UCLA's permanent endowments. In 2021 and 2020, the increases in restricted nonexpendable net position were principally due to the receipt of new gifts.

### Restricted, expendable

Restricted, expendable net position is subject to externally imposed restrictions governing their use. Net position

may be spent only in accordance with the restrictions placed upon them and may include endowment income and gains, subject to the University's spending policy; support received from gifts, state or federal appropriations, and trustee-held investments. The increases or decreases in restricted, expendable funds are principally due to the timing of spending restricted gifts and endowment income and gains.

### Unrestricted

Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Unrestricted net position is negative due primarily to obligations for pension and retiree health benefits exceeding UCLA's assets available to pay such obligations. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of the reserves are allocated for academic and research initiatives or programs, for capital projects or for other purposes.







**THE CAMPUS' RESULTS OF OPERATIONS**

The Statement of Revenues, Expenses, and Changes in Net Position is a presentation of the campus' operating results and indicates whether the financial condition has improved or deteriorated. In accordance with Governmental Accounting Standards Board (GASB) requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the campus are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts, and investment income. A summarized comparison of the operating results for 2021, 2020, and 2019, arranged in a format that matches the revenue supporting the core activities of UCLA with the expenses associated with core activities, is as follows:

A new UCLA center will bring researchers together to study the role of genetics in disease and develop personalized therapies that improve patients' lives.



## Operating Results 2019-2021

	2021			2020			2019		
(in millions of dollars)	Operating	Non-operating	Total	Operating	Non-operating	Total	Operating	Non-operating	Total
<b>REVENUES</b>									
Student tuition and fees, net	\$891		\$891	\$916		\$916	\$929		\$929
State educational appropriations		\$454	454		\$536	536		\$493	493
Direct government grants		64	64		146	146			
Federal Pell Grants		53	53		55	55		56	56
Grants and contracts, net	1,188		1,188	1,080		1,080	1,049		1,049
Medical center, net	3,128		3,128	2,976		2,976	2,797		2,797
Educational activities, net	2,497		2,497	2,146		2,146	1,959		1,959
Auxiliary enterprises, net	164		164	381		381	472		472
Private gifts, net		405	405		365	365		367	367
Investment income, net		117	117		137	137		143	143
Other revenues	204	22	226	236	13	249	243	37	280
<b>Revenues supporting core activities</b>	<b>8,072</b>	<b>1,115</b>	<b>9,187</b>	<b>7,735</b>	<b>1,252</b>	<b>8,987</b>	<b>7,449</b>	<b>1,096</b>	<b>8,545</b>
<b>EXPENSES</b>									
Salaries and wages	4,194		4,194	4,074		4,074	3,812		3,812
Pension benefits	372		372	1,187		1,187	977		977
Retiree health benefits	409		409	357		357	269		269
Other employee benefits	1,068		1,068	1,020		1,020	921		921
Scholarships and fellowships	181		181	174		174	154		154
Utilities	61		61	59		59	62		62
Supplies and materials	1,280		1,280	1,135		1,135	1,078		1,078
Depreciation and amortization	416		416	416		416	407		407
Interest expense		149	149		141	141		133	133
Other expenses	1,231	13	1,244	1,288	69	1,357	1,156	10	1,166
<b>Expenses associated with core activities</b>	<b>9,212</b>	<b>162</b>	<b>9,374</b>	<b>9,710</b>	<b>210</b>	<b>9,920</b>	<b>8,836</b>	<b>143</b>	<b>8,979</b>
<b>Income (loss) from core activities</b>	<b>(1,140)</b>	<b>953</b>	<b>(187)</b>	<b>(1,975)</b>	<b>1,042</b>	<b>(933)</b>	<b>(1,387)</b>	<b>953</b>	<b>(434)</b>
<b>OTHER NONOPERATING ACTIVITIES</b>									
Net appreciation (depreciation) in fair value of investments			1,339			(40)			266
<b>Income (loss) before other changes in net position</b>			<b>1,152</b>			<b>(973)</b>			<b>(168)</b>
<b>OTHER CHANGES IN NET POSITION</b>									
Capital gifts and grants, net			28			34			21
Permanent endowments			9			8			11
Transfers			296			(307)			(72)
<b>Increase (decrease) in net position</b>			<b>1,485</b>			<b>(1,238)</b>			<b>(208)</b>
<b>NET POSITION</b>									
Beginning of year			(1,131)			107			315
<b>End of year</b>			<b>\$354</b>			<b>\$(1,131)</b>			<b>\$107</b>



## REVENUES SUPPORTING CORE ACTIVITIES

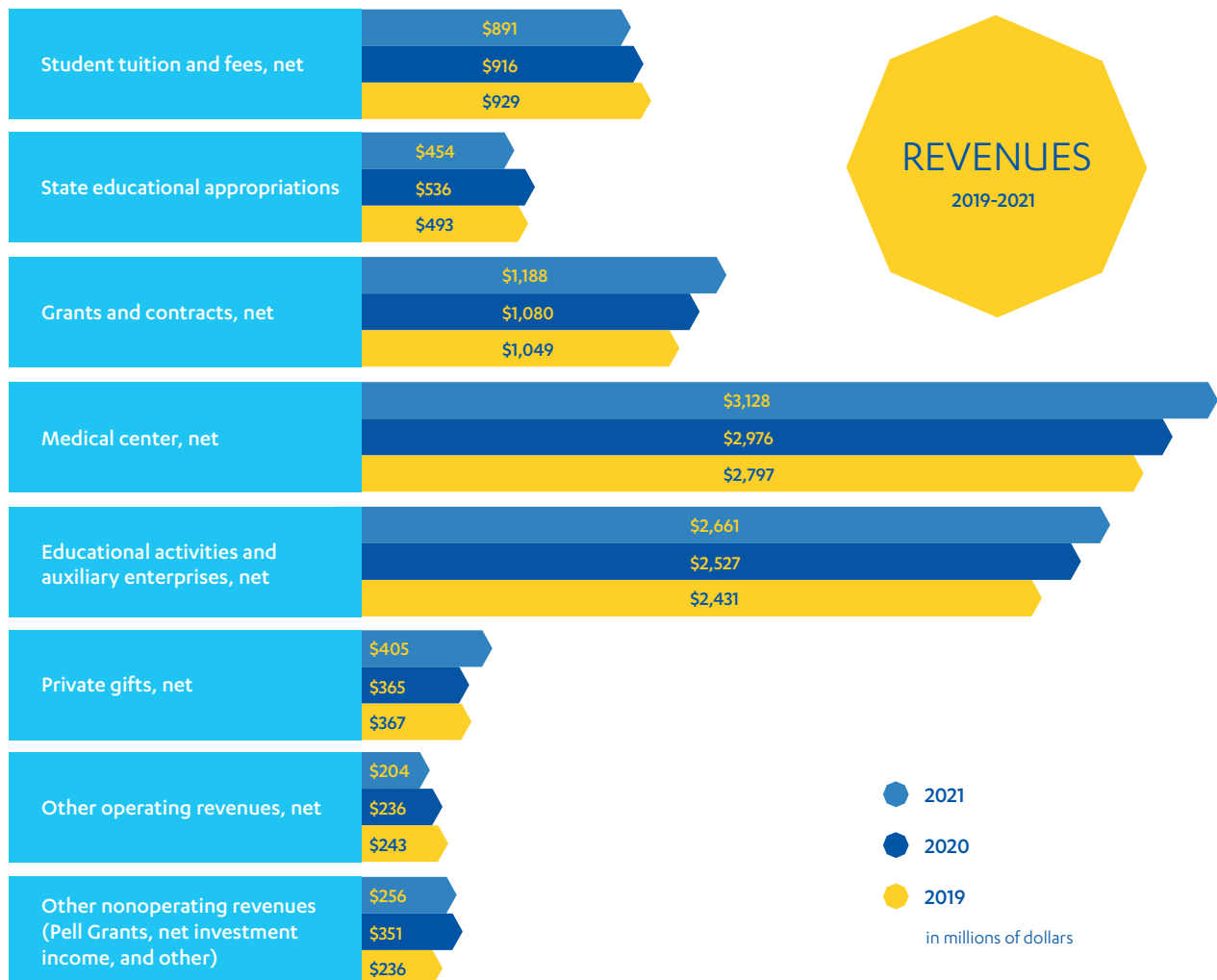
Revenues to support UCLA's core activities, including those classified as nonoperating revenues, were \$9.2 billion, \$9.0 billion, and \$8.5 billion in 2021, 2020, and 2019, respectively. These diversified sources of revenue increased by \$200 million in 2021 and \$442 million in 2020.

The state of California's educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of UCLA. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country.

Gifts to the campus allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives. Other significant revenues are from the medical center, educational activities, and auxiliary enterprises such as student housing, food service operations, and parking.

The growth in certain revenues slowed in 2020 due to the impacts of COVID-19. For 2021, substantially all courses were held online and as a result, occupancy in campus housing was significantly lower than capacity. Revenues in the various categories have changed as follows:

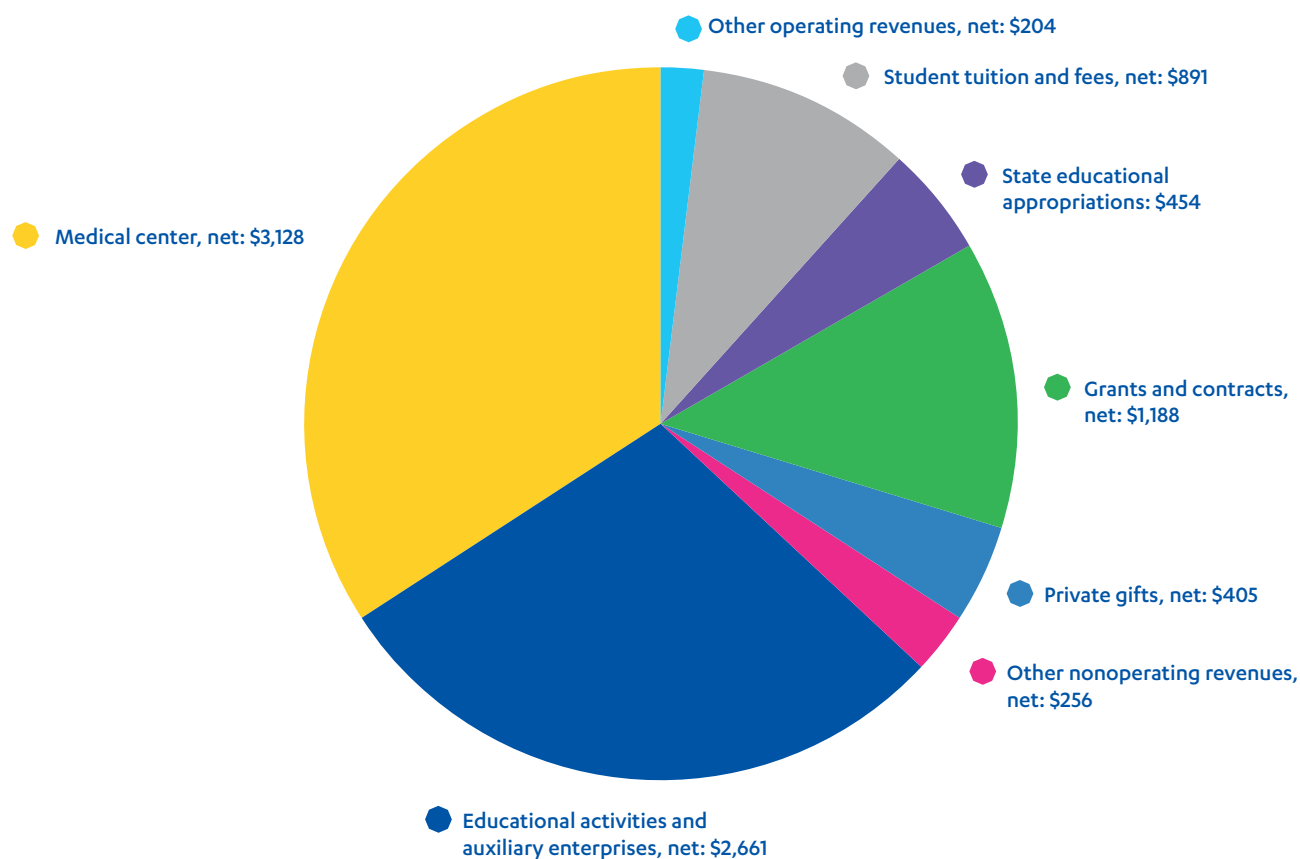
### Revenues



A major financial strength of UCLA is its diverse source of revenues, including those from student fees, federally sponsored grants and contracts, the medical center, the state of California, private support, and auxiliary enterprises. The variety of fund sources has become increasingly important over the past several years.

Categories of both operating and nonoperating revenue that supported UCLA's core activities in 2021 are as follows:

**2021 Revenues** (in millions of dollars)



**Student tuition and fees, net**

Net student tuition and fees were \$891 million, \$916 million, and \$929 million in 2021, 2020, and 2019, respectively. Scholarship allowances, or financial aid, are the difference between the stated charge for tuition and fees and the amount that is paid by the student and third parties on behalf of the student. Scholarship allowances, netted against student tuition and fees, were \$252 million, \$232 million, and \$215 million in 2021, 2020, and 2019, respectively. Student tuition and fees, net of scholarship allowances, decreased by \$25 million and \$13 million in 2021 and 2020, respectively, due to changes in enrollment and financial aid.

**Student tuition and fees, net**

(in millions of dollars)

	2021	2020	2019
Student tuition and fees	\$1,015	\$1,015	\$1,009
Summer sessions	52	54	52
University Extension	76	79	83
Scholarship allowance	(252)	(232)	(215)
<b>Total</b>	<b>\$891</b>	<b>\$916</b>	<b>\$929</b>

In 2021, enrollment grew by 0.56 percent, and in 2020, enrollment declined slightly by 0.41 percent. Mandatory tuition for resident undergraduates remained the same in 2021 and 2020. Certain nonresident undergraduates and resident and nonresident graduate students experienced increases in mandatory tuition and fees. Professional degree supplement tuition varies by discipline; certain increases were approved for 2021, 2020, and 2019.

### State educational appropriations

Educational appropriations from the state of California were \$454 million, \$536 million, and \$493 million in 2021, 2020, and 2019, respectively. State educational appropriations decreased in 2021 by \$82 million primarily due to state cuts related to the pandemic. State educational appropriation increased in 2020 by \$43 million, due to state funding of certain one-time initiatives.

### Direct government grants

In 2021 and 2020, UCLA received funds under certain provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES) and Coronavirus Response & Relief Supplemental Appropriations Act (CRRSA) to minimize the impacts of lost revenues and increased expenses related to COVID-19. The campus received \$64 million and \$47 million in 2021 and 2020, respectively, in grants to provide emergency financial aid to students and to mitigate the impacts of lost revenue and additional technology expenses associated with moving to online education. UCLA Medical Center received \$99 million in CARES Act provider relief funding for lost health care revenues and additional expenses for treating patients with COVID-19 in 2020 that did not reoccur in 2021.

### Grants and contracts, net

Revenue from federal, state, private, and local government grants and contracts — including an overall facilities and administration cost recovery of \$223 million, \$211 million, and \$206 million in 2021, 2020, and 2019, respectively — was \$1,188 million, \$1,080 million, and \$1,049 million in 2021, 2020, and 2019, respectively.

In 2021, federal grants and contracts revenue increased \$86 million, or 13.0 percent, as compared to 2020. In 2020, federal grants and contracts revenue increased \$34 million, or 5.4

percent, as compared to 2019. Federal grants and contracts include federal facilities and administrative cost recovery of \$158 million, \$147 million, and \$144 million in 2021, 2020, and 2019, respectively. Changes in the federal budget impact UCLA's growth in federal grants and contracts.

### Grants and Contracts

(in millions of dollars)

	2021	2020	2019
Federal government	\$750	\$664	\$630
State agencies	67	66	68
Private industries	295	277	276
Local government	76	73	75
<b>Total</b>	<b>\$1,188</b>	<b>\$1,080</b>	<b>\$1,049</b>

### Medical center, net

Medical center revenues, net of allowances, increased \$152 million, or 5.1 percent, in 2021 and increased \$179 million, or 6.4 percent, in 2020. Revenues growth in 2021 was the result of increases in both inpatient and outpatient volumes.

### Educational activities and auxiliary enterprises, net

Revenue from educational activities, primarily medical professional fees, net of allowances, increased by \$351 million, or 16.4 percent, in 2021 and increased by \$187 million, or 9.5 percent, in 2020. Revenues increased in 2021 due to higher patient volumes. Revenues increased more slowly in 2020 due to the cancellation of clinic visits, starting in March, due to the outbreak of COVID-19.

Auxiliary enterprises include housing, food service, parking, bookstores, the student center, union, and child-care center. Revenue from auxiliary enterprises, net of allowances, decreased by \$217 million, or 57.0 percent, in 2021 and decreased by \$91 million, or 19.3 percent, in 2020. In the spring of 2020, students were permitted to cancel housing contracts for the remainder of the academic year. Many students elected to move home and student refunds of \$20 million were issued related to canceled housing contracts and dining plans. Revenues for auxiliary enterprises decreased significantly in 2021 due to state and local limitations on occupancy for housing and dining facilities.

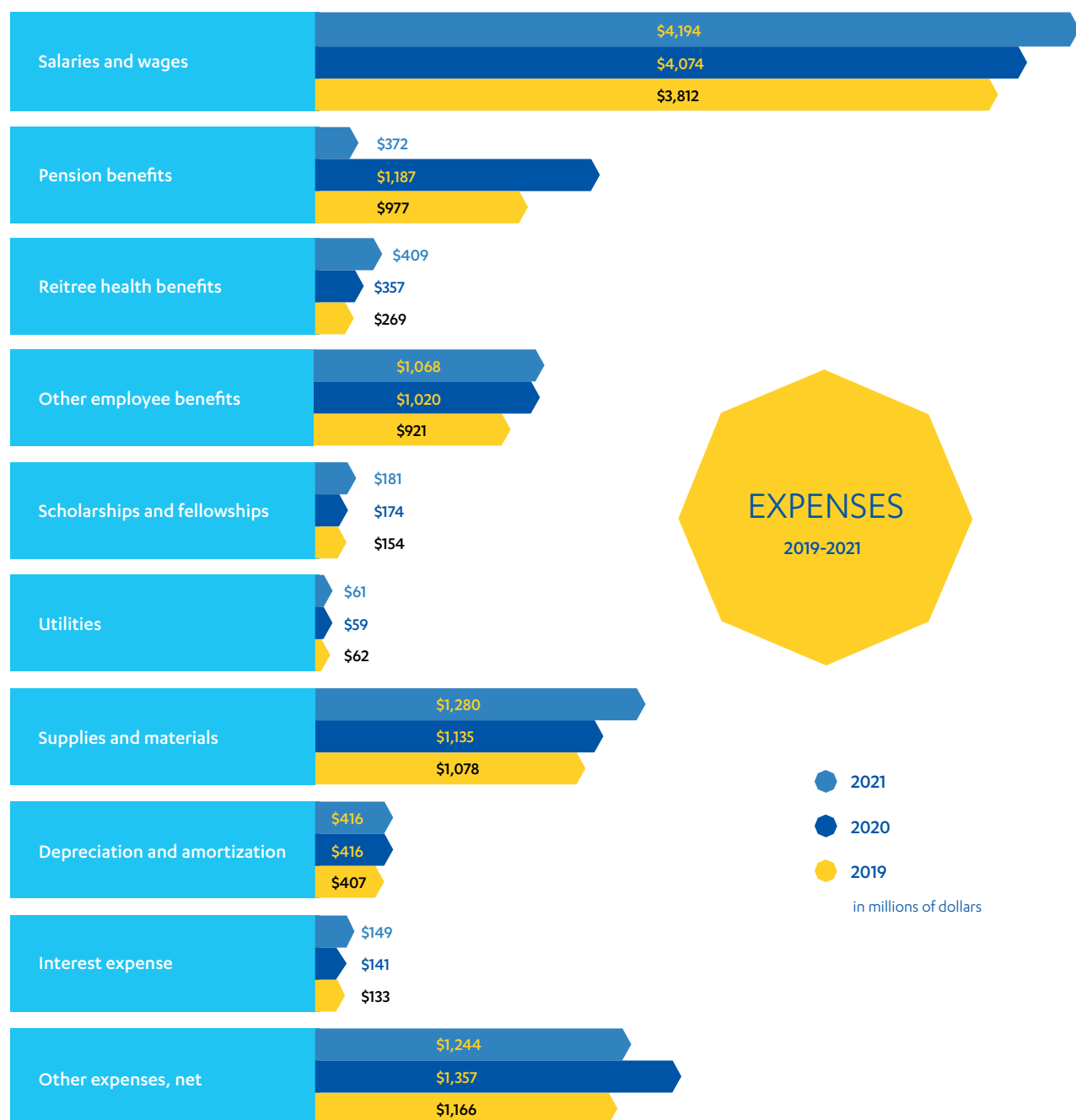


## EXPENSES ASSOCIATED WITH CORE ACTIVITIES

Expenses associated with UCLA's core activities, including those classified as nonoperating expenses, were \$9.4 billion, \$9.9 billion, and \$9.0 billion in 2021, 2020, and 2019, respectively. Expenses decreased in 2021 by \$546 million and increased in 2020 by \$941 million. UCLA's operations continued to grow, principally at the medical center, and expenses increased consistent with the overall growth in operations. In 2021, pension expenses, representing the largest change, decreased by \$815 million due to favorable market performance in the UCRP investment portfolio. In 2020, supplies and equipment expenses increased due to COVID-19, pension expenses increased due to lower than expected returns and retiree health benefits increased due to a lower discount rate.

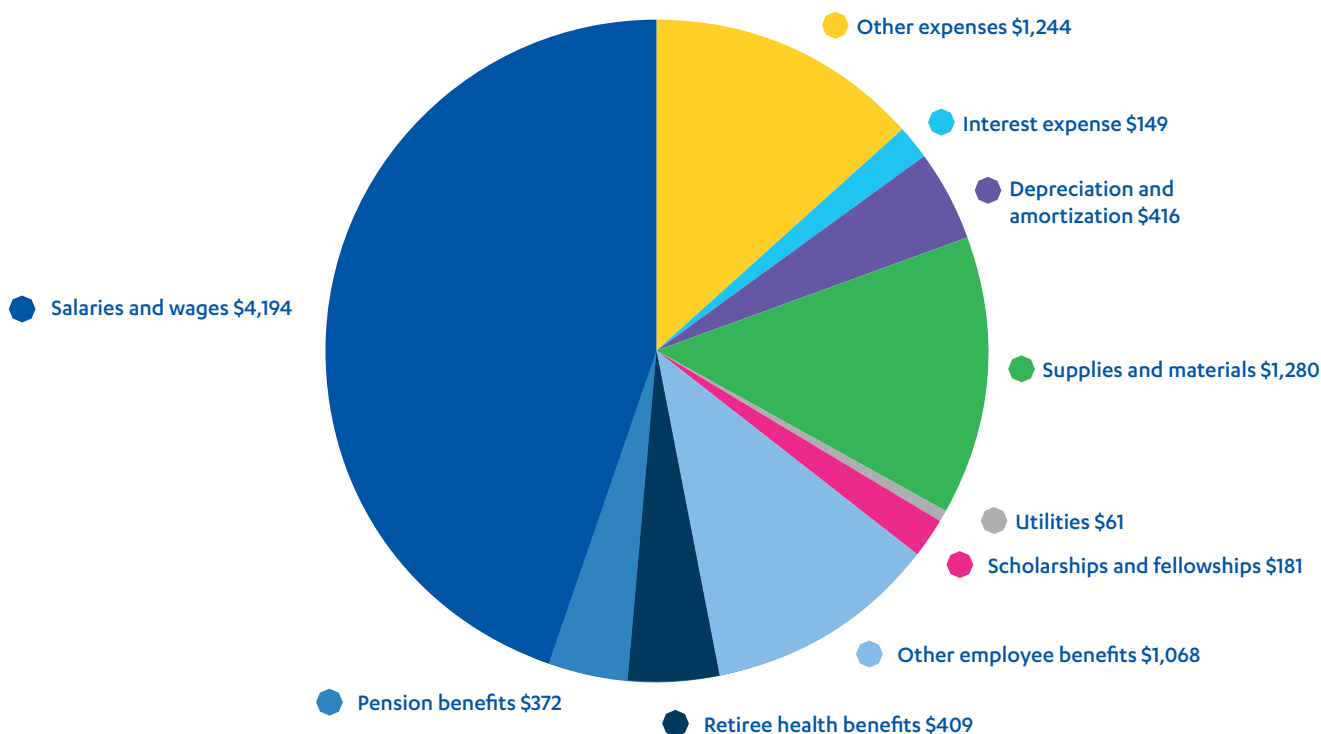
Expenses in the various categories are as follows:

### Expenses



Categories of both operating and nonoperating expenses related to UCLA's core activities in 2021 are as follows:

**2021 Expenses** (in millions of dollars)



**Salaries and benefits**

Approximately two-thirds of UCLA's expenses are related to salaries and benefits. There were 38,118 full-time equivalent (FTE) employees in 2021, as compared to 38,588 FTEs in 2020. Total salaries and benefits decreased by 9.0 percent in 2021 and increased by 11.0 percent in 2020, primarily driven by the changes in pension and retiree health expenses.

In 2021, salaries increased by 2.9 percent, comprised of a decrease in the number of FTEs and an increase in the average salary per FTE. As a means to manage the workforce during the 2021 academic year when virtually all classes were held online and housing occupancy was limited, UCLA used a variety of programs, such as redeploying workers to other positions, delaying hiring, and instituting temporary layoffs

resulting in a slight decrease in FTEs. Employee benefits, excluding pension and retiree health care benefits, increased by \$48 million, or 4.7 percent, in 2021, since UCLA continued to provide certain benefits to employees, including those that were temporarily laid off. Pension expense decreased by \$815 million, or 68.7 percent, due to higher than expected investment returns. Retiree health benefits expense increased by \$52 million, or 14.6 percent, due to the decrease in the discount rate.

In 2020, salaries increased by 6.9 percent, comprised of an increase in the number of FTEs and an increase in the average salary per FTE. Even though UCLA moved to online learning starting in March 2020, UCLA elected not to lay off any employees before June 30, 2020. Employee benefits, excluding pension and retiree health care benefits,

increased by \$99 million, or 10.7 percent in 2020, consistent with the increase in FTEs and due to higher costs for health care benefits. Pension expense increased by \$210 million, or 21.5 percent, due to lower than expected investment returns. Retiree health benefits expense increased by \$88 million, or 32.7 percent, due to the decrease in the discount rate.

### **Scholarships and fellowships**

UCLA places a high priority on student financial aid as part of its commitment to affordability. Scholarship allowances, representing financial aid and fee waivers awarded by UCLA, were \$449 million, \$448 million, and \$420 million in 2021, 2020, and 2019, respectively. Scholarships and fellowships, representing payments of financial aid made directly to students and reported as an operating expense, were \$181 million, \$174 million, and \$154 million in 2021, 2020, and 2019, respectively. On a combined basis, as UCLA continues its commitment to provide financial support for needy students, financial aid in all forms increased by \$0.6 million, or 0.1 percent, in 2021 as compared to 2020, and by \$28 million, or 6.7 percent, in 2020 as compared to 2019. Increases in financial aid, scholarships and fellowships slowed in 2021 since virtually all classes were held online and housing occupancy was limited. Increases in financial aid, scholarships and fellowships in 2020 are consistent with increases in tuition and fees and housing costs. UCLA's practice is to minimize the impact of cost increases on first-generation and low-income students. Financial aid includes direct payments to students of \$20.9 million and \$14.5 million in 2021 and 2020, respectively, related to funds received under the CARES Act and CRRSA Act.

### **Supplies and materials**

During 2021 and 2020, supplies and materials costs increased by \$145 million, or 12.8 percent, and \$57 million, or 5.3 percent, respectively. The largest increases occurred at the medical centers due to patient volumes. In 2021 and 2020, the need for personal protective, laboratory and cleaning supplies due to the outbreak of COVID-19 caused significant increases in supplies expense. In recent years, there has been inflationary pressure on the costs for medical supplies and laboratory instruments and higher costs for general supplies necessary to support expanded medical patient volumes. UCLA continues to find opportunities to manage the costs of supplies and materials.

### **Other expenses**

Other expenses consist of a variety of expense categories, including travel, rent, insurance, legal settlements, and repairs and maintenance, plus any gain or loss on disposals of capital assets and other nonoperating expenses.

### **Operating losses**

In accordance with the GASB's reporting standards, operating losses were \$1.1 billion, \$2.0 billion, and \$1.4 billion in 2021, 2020, and 2019, respectively. The operating losses in 2021, 2020, and 2019 were offset by \$953 million, \$1,042 million, and \$953 million, respectively, of net nonoperating revenue that supports core operating activities of UCLA. Expenses exceeded revenues associated with core activities by \$187 million, \$933 million, and \$434 million in 2021, 2020, and 2019, respectively. In 2021, the net loss is due to limited housing occupancy and increased expenses as a result of COVID-19, offset by a decrease in pension expense due to favorable market performance in the UCRP investment portfolio. In 2020, the net loss is due to lost revenues and increased expenses as a result of COVID-19 and higher pension expense related to lower than expected investment earnings.

### **Other nonoperating activities**

UCLA's other nonoperating activities, consisting of net appreciation or depreciation in the fair value of investments, are noncash transactions and, therefore, are not available to support operating expenses. In 2021, UCLA recognized net appreciation in the fair value of investments of \$1,339 million. In 2020, UCLA recognized net depreciation in the fair value of investments of \$40 million, as compared to net appreciation of \$266 million in 2019. UCLA's portfolio returns fluctuate with the overall performance in the investment markets.

### **Other changes in net position**

Similar to the other nonoperating activities discussed above, other changes in net position are also not available to support UCLA's operating expenses in the current year. State capital appropriations and capital gifts and grants may only be used for the purchase or construction of the specified capital assets. Only income earned from gifts of permanent endowments is available in future years to support the specified program.

## THE CAMPUS' CASH FLOWS

The Statement of Cash Flows presents the significant sources and uses of cash. A summary comparison of cash flows for 2021 and 2020 is as follows:

### The Campus' Cash Flows

Cash flows <i>(in millions of dollars)</i>	2021	2020	Change
Cash received from operations	\$8,229	\$7,934	\$295
Cash payments for operations	(8,582)	(8,348)	(234)
<b>Net cash used by operating activities</b>	<b>(353)</b>	<b>(414)</b>	<b>61</b>
Net cash provided by noncapital financing activities	1,050	1,173	(123)
<b>Net cash provided by operating and noncapital financing activities</b>	<b>697</b>	<b>759</b>	<b>(62)</b>
Net cash provided (used) by capital and related financing activities	277	(704)	981
Net cash provided (used) by investing activities	(927)	421	(1,348)
<b>Net increase in cash and cash equivalent</b>	<b>47</b>	<b>476</b>	<b>(429)</b>
Cash and cash equivalent, beginning of year	1,511	1,035	476
<b>Cash and cash equivalent, end of year</b>	<b>\$1,558</b>	<b>\$1,511</b>	<b>\$47</b>

UCLA's cash in demand-deposit accounts is minimized by sweeping available cash balances into investment accounts managed by the Office of the President on a daily basis. Cash provided by operating and noncapital financing activities ranged between \$697 million and \$759 million for the last two years. In accordance with GASB requirements, certain cash flows relied upon for fundamental operational support of the core instruction mission of the campus are reported as noncapital financing activities, including state educational appropriations, and private gifts and grants.

\$277 million net cash provided by capital and related financing activities in 2021 is primarily the result of proceeds from debt issuance and new commercial paper financing, partially offset by purchases of capital assets, and principal and interest payments.

The year-to-year change in cash used by investing activities is largely the result of routine timing of investment

purchases, sales, and investment income. In 2021, UCLA allocated \$617 million from STIP to TRIP which provides the opportunity to enhance returns on intermediate-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. Additionally, UCLA invested \$317 million of Med Center Century Bond money into TRIP.

## LOOKING FORWARD

The University of California is a world center of learning, known for generating a steady stream of talent, knowledge and social benefits, and has always been at the center of California's capacity to innovate. The excellence of its programs attracts the best students, leverages hundreds of millions of dollars in state, federal, and private funding and promotes discovery of new knowledge that fuels economic growth.

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic



by the World Health Organization. The outbreak of the disease has affected travel, commerce, and financial markets globally, in the United States and in the state, including cities and counties throughout the state. There have been and may continue to be material financial impacts to UCLA due to COVID-19 that will affect financial results for 2022 and potentially beyond.

The Governor signed the 2021-22 State Budget Act on July 12, 2021. State funds allocated to the University total \$4.7 billion, including \$728.6 million in one-time funding. The Budget Act reflects an increase of 15.8 percent to the University's base budget over 2020-21 levels, and an increase of 7.6 percent to the University's base budget over 2019-20 levels. In total, the University received an increase of \$547.9 million in ongoing support, with permanent funding provided for the following: \$302.4 million to restore cuts to the University's budget made in 2019-20, \$173.2 million to sustain the University's core operations, and \$72.3 million for various programs that benefit the state, such as UC Agriculture and Natural Resources and Programs in Medical Education (PRIME).

For UCLA, the Permanent State General Fund allocation totaled \$538.6 million for fiscal year 2021-22 amounting to an increase of \$67 million to UCLA's ongoing support.

UCLA remains highly competitive in attracting federal grants and contracts revenue, with fluctuations in the awards received closely paralleling trends in the budgets of federal research granting agencies. Over two-thirds of the University's federal research revenue comes from two agencies, the Department of Health and Human Services, primarily through the National Institutes of Health, and the National Science Foundation. Other agencies that figure prominently in the University's awards are the Department of Education, Department of Defense, the National Aeronautics and Space Administration, and the Department of Energy. The University is a unique national resource for helping the nation address competitiveness and economic initiatives.

The UCLA Medical Center continues to face financial and competitive challenges in its regional markets, along with the added costs and responsibilities related to its function as an academic institution. The demand for health care services and the cost of providing them continue to increase significantly. In addition to the rising costs of salaries, benefits, and medical

supplies faced by hospitals across the state, along with the costs of maintaining and upgrading facilities, UCLA's medical center also faces additional costs associated with seismic retrofitting, new technologies, biomedical research, the education and training of health care professionals and the care for a disproportionate share of the medically underserved in California. Other than Medicare and Medi-Cal (California's Medicaid program), health insurance payments do not recognize the added cost of teaching in their payments to academic medical centers. The growth in costs of the publicly funded programs and health care reform will likely continue to reduce rates or limit payment growth, placing downward pressure on operating results for the medical center.

UCLA must have a balanced array of many categories of facilities to meet its education, research, and public service goals and continues to assess its long-term capital requirements. Support for UCLA's capital program is expected to be provided from a combination of sources, including the state of California, external financing, gifts, and other sources.

Additional information concerning state budget matters and the state's financial condition may be found on the website of the California Department of Finance at <http://www.dof.ca.gov>.

#### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain information provided by UCLA, including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that UCLA expects or anticipates will or may occur in the future, contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. UCLA does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.











# TRANSMITTAL LETTER



Image by Vladimircaribb / Adobe Stock Images





Image by Tadamichi / Shutterstock

**The accompanying Financial Statements reflect the financial position and the results of operations of the University of California, Los Angeles (UCLA), for the fiscal years ended June 30, 2021 and 2020.**

The UCLA Financial Statements are not individually audited, but rather are audited as part of the Consolidated Annual Financial Report of the University of California by the firm of PricewaterhouseCoopers, whose report is transmitted to The Regents.

The accompanying Financial Statements and Management's Discussion and Analysis detail only local campus activity. This separate UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB).

In compliance with GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, the financial activity of the legally separate, tax-exempt UCLA Foundation and the Jonsson Cancer Center Foundation can be found discretely recorded on the campus' financial statements under a separate column titled "Foundations."

Respectfully submitted,

**Selina Martin**

Controller

Business & Finance Solutions

# FINANCIAL STATEMENTS



Photo courtesy of UCLA Anderson School of Management

**UNIVERSITY OF CALIFORNIA, LOS ANGELES**  
**STATEMENTS OF NET POSITION (UNAUDITED)**

	<b>CAMPUS</b>		<b>FOUNDATIONS</b>	
<i>At June 30, 2021 and 2020 (in thousands of dollars)</i>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>				
Cash	\$4,630	\$5,276	\$7,607	\$8,143
Short-term investments	1,553,825	1,505,235	511,034	501,063
Investments held by trustees	182	182		
Accounts receivable, net	1,142,325	976,676	25,983	65,085
Pledges receivable, net	35,194	10,134	81,734	87,803
Current portion of notes and mortgages receivable, net	6,276	5,943		
Inventories	112,516	97,812		
Other current assets	88,581	86,236		
<b>Current assets</b>	<b>2,943,529</b>	<b>2,687,494</b>	<b>626,358</b>	<b>662,094</b>
Investments	7,224,860	4,935,400	3,709,692	2,678,649
Investments held by trustees	794	788		
Pledges receivable, net	14,875	17,841	372,308	402,559
Notes and mortgages receivable, net	64,048	66,941		
Capital assets, net	7,192,523	6,819,660		
Other noncurrent assets	47,163	68,788	14,561	12,640
<b>Noncurrent assets</b>	<b>14,544,263</b>	<b>11,909,418</b>	<b>4,096,561</b>	<b>3,093,848</b>
<b>Total assets</b>	<b>17,487,792</b>	<b>14,596,912</b>	<b>4,722,919</b>	<b>3,755,942</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,273,728</b>	<b>3,227,082</b>		
<b>LIABILITIES</b>				
Accounts payable	632,250	661,836	9,020	10,058
Accrued salaries	29,536	20,250		
Employee benefits	136,279	144,449		
Unearned revenue	353,027	337,887	5,614	5,379
Commercial paper	19,467	278,795		
Current portion of long-term debt	473,645	490,872		
Other current liabilities	503,608	389,248	11,756	16,597
<b>Current liabilities</b>	<b>2,147,812</b>	<b>2,323,337</b>	<b>26,390</b>	<b>32,034</b>
Federal refundable loans	55,893	61,661		
Obligations under life income agreements			35,182	32,975
Long-term debt	4,738,813	3,315,833		
Net pension liability	1,510,346	4,658,554		
Pension payable to UCOP	1,159,619	1,105,196		
Net retiree health benefits liability	5,491,283	5,187,542		
Other noncurrent liabilities	285,103	252,344		
<b>Noncurrent liabilities</b>	<b>13,241,057</b>	<b>14,581,130</b>	<b>35,182</b>	<b>32,975</b>
<b>Total liabilities</b>	<b>15,388,869</b>	<b>16,904,467</b>	<b>61,572</b>	<b>65,009</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>4,018,348</b>	<b>2,050,134</b>	<b>56,772</b>	<b>47,609</b>
<b>NET POSITION</b>				
Net investment in capital assets	2,593,427	2,979,281		
Restricted:				
Nonexpendable	344,749	333,352	1,604,267	1,466,077
Expendable	2,293,630	1,688,856	2,229,684	1,567,349
Unrestricted	(4,877,503)	(6,132,096)	770,624	609,898
<b>Total net position</b>	<b>\$354,303</b>	<b>\$(1,130,607)</b>	<b>\$4,604,575</b>	<b>\$3,643,324</b>

See accompanying Notes to Financial Statements

**UNIVERSITY OF CALIFORNIA, LOS ANGELES**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (UNAUDITED)**

	CAMPUS		FOUNDATIONS	
Years Ended June 30, 2021 and 2020 (in thousands of dollars)	2021	2020	2021	2020
<b>OPERATING REVENUES</b>				
Student tuition and fees, net	\$891,450	\$915,637		
Grants and contracts, net:				
Federal	750,216	664,458		
State	66,606	66,088		
Private	295,335	276,491		
Local	75,638	72,787		
Medical center, net	3,127,996	2,975,751		
Educational activities, net	2,497,491	2,145,629		
Auxiliary enterprises, net	163,809	381,248		
Foundation private gifts			\$300,694	\$413,797
Other operating revenues, net	203,740	236,987		
<b>Total operating revenues</b>	<b>8,072,281</b>	<b>7,735,076</b>	<b>300,694</b>	<b>413,797</b>
<b>OPERATING EXPENSES</b>				
Salaries and wages	4,193,592	4,074,068		
Pension benefits	372,006	1,186,896		
Retiree health benefits	409,449	357,214		
Other employee benefits	1,067,517	1,020,079		
Supplies and materials	1,279,582	1,134,879		
Depreciation and amortization	415,533	415,889		
Scholarships and fellowships	180,514	174,407		
Utilities	61,269	58,511		
Foundation grants			365,147	332,787
Other operating expenses	1,232,734	1,288,280	15,041	16,032
<b>Total operating expenses</b>	<b>9,212,196</b>	<b>9,710,223</b>	<b>380,188</b>	<b>348,819</b>
<b>Operating income (loss)</b>	<b>(1,139,915)</b>	<b>(1,975,147)</b>	<b>(79,494)</b>	<b>64,978</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State educational appropriations	453,790	535,734		
State hospital fee grants	7,397	4,271		
Direct government grants	64,366	145,612		
Build America Bonds federal interest subsidies	9,489	9,483		
Federal Pell Grants	53,316	54,690		
Private gifts, net	405,142	364,683		
Investment income:				
Short Term Investment Pool and other, net	55,958	71,502		
Endowment, net	61,144	65,985		
Foundation			38,425	13,549
Net appreciation (depreciation) in fair value of investments	1,338,742	(40,463)	885,953	8,063
Interest expense	(149,439)	(141,013)		
Loss on disposal of capital assets	(12,086)	(9,710)		
Other nonoperating revenues (expenses)	4,196	(58,676)		
<b>Net nonoperating revenues</b>	<b>2,292,015</b>	<b>1,002,098</b>	<b>924,378</b>	<b>21,612</b>
<b>Income (loss) before other changes in net position</b>	<b>1,152,100</b>	<b>(973,049)</b>	<b>844,884</b>	<b>86,590</b>
<b>OTHER CHANGES IN NET POSITION</b>				
Capital gifts and grants, net	27,878	34,593		
State capital appropriations	248			
Permanent endowments	8,795	8,013	116,367	144,525
Transfers	295,889	(306,749)		
<b>Increase (decrease) in net position</b>	<b>1,484,910</b>	<b>(1,237,192)</b>	<b>961,251</b>	<b>231,115</b>
<b>NET POSITION</b>				
Beginning of year	(1,130,607)	106,585	3,643,324	3,412,209
<b>End of year</b>	<b>\$354,303</b>	<b>\$(1,130,607)</b>	<b>\$4,604,575</b>	<b>\$3,643,324</b>

See accompanying Notes to Financial Statements

**UNIVERSITY OF CALIFORNIA, LOS ANGELES**  
**STATEMENTS OF CASH FLOWS (UNAUDITED)**

	<b>CAMPUS</b>		<b>FOUNDATIONS</b>	
<i>Years ended June 30, 2021 and 2020 (in thousands of dollars)</i>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Student tuition and fees	\$887,582	\$918,437		
Grants and contracts	1,109,967	988,175		
Medical center	3,004,631	2,981,167		
Educational activities	2,449,648	2,149,022		
Auxiliary enterprises	157,685	349,653		
Foundation private gifts			\$301,922	\$373,738
Payments to employees	(4,328,526)	(4,220,996)		
Payments to suppliers and utilities	(2,546,508)	(2,460,655)		
Payments for pension benefits	(521,266)	(470,143)		
Payments for retiree health benefits	(103,086)	(80,551)		
Payments for other employee benefits	(868,723)	(839,460)		
Payments for scholarships and fellowships	(180,514)	(174,407)		
Collection of loans from students and employees, net	2,560	14,588		
Payments to campus and beneficiaries			(380,159)	(345,401)
Other receipts (payments)	617,212	532,174	(3,989)	(4,616)
Transfers - intercampus	(33,383)	(101,359)		
<b>Net cash provided (used) by operating activities</b>	<b>(352,721)</b>	<b>(414,355)</b>	<b>(82,226)</b>	<b>23,721</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State educational appropriations	453,785	535,364		
Federal Pell Grants	53,316	54,690		
Direct government grants	64,366	145,612		
State hospital fee grants	7,397	4,271		
Gifts received for other than capital purposes:				
Private gifts for endowment purposes			104,112	103,564
Other private gifts	383,049	351,136		
Proceeds from debt issuance	678,000			
Interest paid	(4,691)			
Other receipts (payments)	3,949	(58,677)		
Transfers - intercampus	(588,425)	141,189		
<b>Net cash provided by noncapital financing activities</b>	<b>1,050,746</b>	<b>1,173,585</b>	<b>104,112</b>	<b>103,564</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Commercial paper financing:				
Proceeds from issuance	330,960	260,361		
Payments of principal	(590,288)	(457)		
Interest paid	(161)	(1,413)		
Build America Bonds federal interest subsidies	10,404	9,467		
Capital gifts and grants	49,770	48,848		
Proceeds from debt issuance	978,987	634,011		
Purchases of capital assets	(800,911)	(913,814)		
Refinancing or prepayment of outstanding debt	(76,212)	(37,423)		
Scheduled principal paid on debt and capital leases	(160,234)	(236,291)		
Interest paid on debt and capital leases	(165,115)	(157,747)		
Transfers - intercampus	699,314	(309,947)		
<b>Net cash provided (used) by capital and related financing activities</b>	<b>276,514</b>	<b>(704,405)</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net (purchases) / proceeds from sales and maturities of investments	(982,553)	349,283	(59,749)	(140,645)
Investment income, net of investment expenses	55,958	71,502	37,327	12,205
<b>Net cash provided (used) by investing activities</b>	<b>(926,595)</b>	<b>420,785</b>	<b>(22,422)</b>	<b>(128,440)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>47,944</b>	<b>475,610</b>	<b>(536)</b>	<b>(1,155)</b>
Cash and cash equivalents, beginning of year	1,510,511	1,034,901	8,143	9,298
<b>Cash and cash equivalents, end of year</b>	<b>\$1,558,455</b>	<b>\$1,510,511</b>	<b>\$7,607</b>	<b>\$8,143</b>

See accompanying Notes to Financial Statements



**UNIVERSITY OF CALIFORNIA, LOS ANGELES  
STATEMENTS OF CASH FLOWS (CONTINUED)**

	CAMPUS		FOUNDATIONS	
<i>Years ended June 30, 2021 and 2020 (in thousands of dollars)</i>	2021	2020	2021	2020
<b>Cash and cash equivalents are comprised of the followings:</b>				
Cash	\$4,630	\$5,276	\$7,607	\$8,143
Short-term investments	1,553,825	1,505,235		
<b>Cash and cash equivalents Total</b>	<b>\$1,558,455</b>	<b>\$1,510,511</b>	<b>\$7,607</b>	<b>\$8,143</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$(1,139,915)	\$(1,975,147)	\$(79,494)	\$64,978
<i>Adjustments to reconcile operating income (loss) to net cash used by operating activities:</i>				
Depreciation and amortization expense	415,533	415,889		
Noncash gifts			(35,734)	(32,390)
Allowance for uncollectible accounts	(55,706)	(45,938)	2,258	4,999
Loss on impairment of capital assets	2,716	3,550		
<i>Change in assets and liabilities</i>				
Investments held by trustees			1,241	(1,692)
Accounts receivable	(166,311)	(918)	541	(370)
Pledges receivable			34,063	(13,506)
Inventories	(14,704)	(18,745)		
Other assets	21,652	675		
Accounts payable	(29,587)	114,808	(1,205)	3,410
Accrued salaries	9,286	16,680		
Employee benefits	(8,169)	1,651		
Unearned revenue	(36,421)	(73,035)	246	778
Net pension liability	(149,260)	716,753		
Net retiree health benefits liability	304,387	257,629		
Other liabilities	493,778	171,793	(4,142)	(2,486)
<b>Net cash provided (used) by operating activities</b>	<b>\$(352,721)</b>	<b>\$(414,355)</b>	<b>\$(82,226)</b>	<b>\$23,721</b>
<b>SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION</b>				
Change in fair value of interest rate swaps classified as hedging derivatives	\$24,851	\$(29,673)		
Gifts of capital assets	5,493	7,441		
Other noncash gifts			\$47,989	\$73,355
Beneficial interests in irrevocable split interest agreements administered by third-parties			(274)	640

See accompanying Notes to Financial Statements



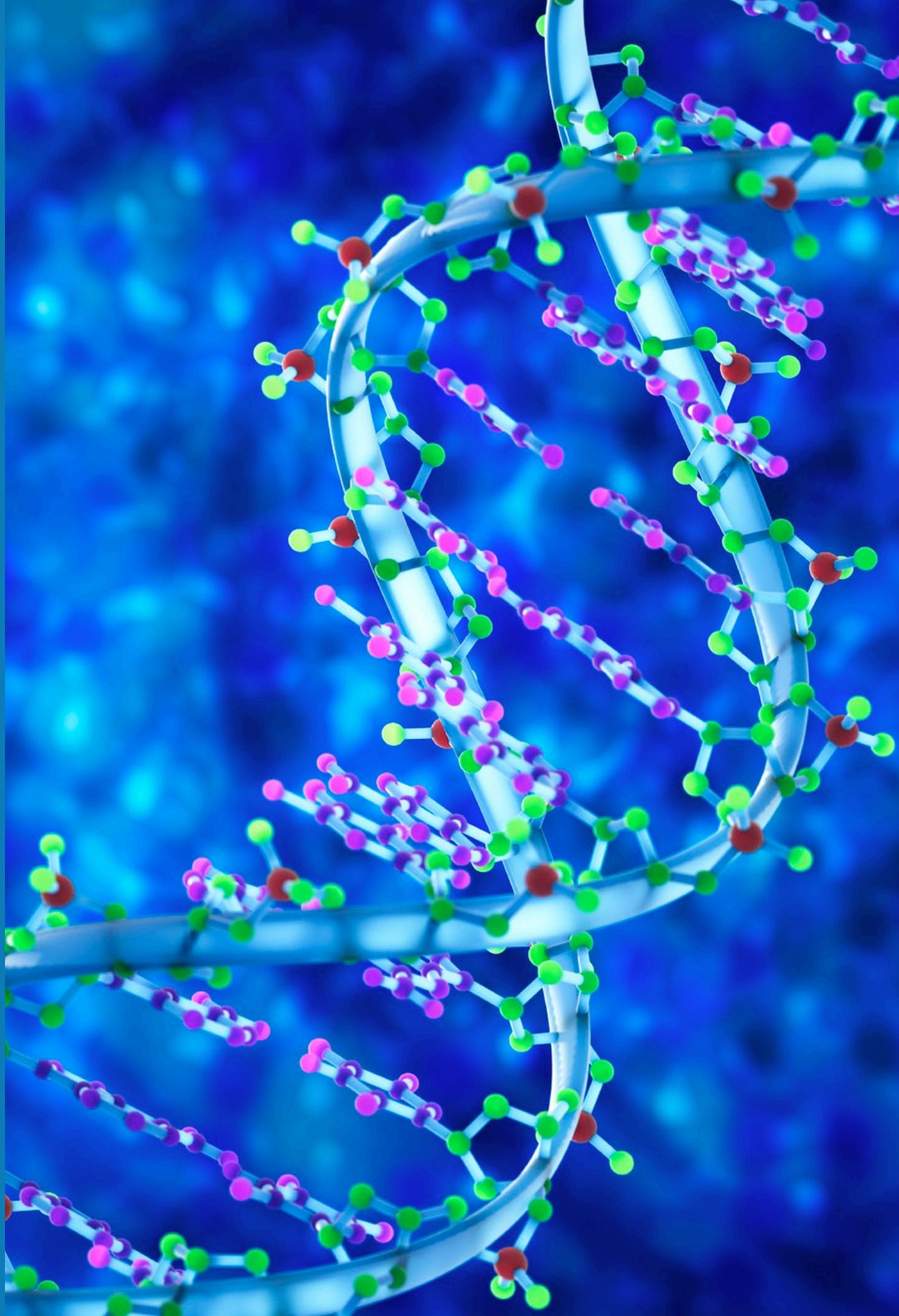
The logo of the University of California, Los Angeles, is a dark blue, stylized geometric shape located in the bottom left corner of the page.

**University of California, Los Angeles**

# NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020





## ORGANIZATION

The University of California (the University) was founded in 1868 as a public, state-supported institution. The California State Constitution provides that the University shall be a public trust administered by the corporation, “The Regents of the University of California,” which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The majority of the 26-member independent governing board (The Regents) is appointed by the governor and approved by the state Senate. Various University programs and capital outlay projects are funded through appropriations from the state’s annual Budget Act. The University’s financial statements are discretely presented in the state’s basic financial statements as a component unit.

## FINANCIAL REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

### Financial Reporting Entity

The Los Angeles campus of the University of California (UCLA) was founded in 1919 and is financially the largest campus in the 10-campus University of California system. The financial statements included in this annual report present the combined activities of the Los Angeles campus, including the UCLA Medical Center. The University of California system is subject to an annual audit of the consolidated financial statements, of which UCLA is a part. The financial statements for the Los Angeles campus are not individually audited.

The Associated Students of UCLA’s (ASUCLA’s) financial data for the fiscal years ended June 30, 2021 and 2020 is included in the financial statements in order to reflect total financial activity of the UCLA campus. ASUCLA conducts activities on the UCLA campus pursuant to the Statement of

Understanding of ASUCLA’s Relationship with the University, dated June 28, 1974.

The UCLA Foundation is a nonprofit, public-benefit corporation organized for the purpose of accepting and administering the full range of private contributions for the campus. The Jonsson Cancer Center Foundation is a 501(c)3 organization established for the purpose of encouraging private gifts for the benefit of the Jonsson Comprehensive Cancer Center at UCLA. The economic resources received or held by the foundations are entirely for the benefit of the campus. Due to the nature and significance of their relationship with the University, including their ongoing financial support, the campus foundations are reported under Governmental Accounting Standards Board (GASB) requirements as discretely presented component units of the campus.

### Significant Accounting Policies

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic resources measurement focus and the accrual basis of accounting. The University follows accounting principles issued by the GASB.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The University implemented the statement as of July 1, 2019. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or an equivalent arrangement that meets specific criteria.



The adoption of Statement No. 84 did not result in any adjustments to the foundations' net position, revenues, expenses, changes in net position and cash flows. The effects on assets and liabilities of adopting Statement No. 84 in the foundations' financial statements for the year ended June 30, 2020, were as follows:

(in thousands of dollars)	FOUNDATIONS		
	AS PREVIOUSLY REPORTED	EFFECT OF ADOPTION OF STATEMENT NO. 84	AS RESTATED
<b>Statement of Net Position</b>			
Short-term investments	\$545,100	\$(44,037)	\$501,063
Current assets	706,131	(44,037)	662,094
Investments	2,905,180	(226,531)	2,678,649
Noncurrent assets	3,320,379	(226,531)	3,093,848
Total assets	4,026,510	(270,568)	3,755,942
Funds held for others	282,728	(282,728)	
Other current liabilities	4,437	12,160	16,597
Current liabilities	302,602	(270,568)	32,034
Total liabilities	335,577	(270,568)	65,009
Net position	3,643,324		3,643,324

The significant accounting policies of UCLA are as follows:

### Cash

UCLA and the foundations consider all balances in demand deposit accounts to be cash. UCLA classifies deposits in the University's Short Term Investment Pool as short-term investments.

### Investments

Investments are measured and reported at fair value. Securities are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or 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. Investment in nonexchange traded debt and equity investments are valued using inputs provided by independent pricing services or by brokers/dealers who actively trade in these markets. Certain securities may be valued on a basis of a price provided by a single source.

Investments also include private equities, absolute return funds, real estate, real asset, and certain corporate asset-backed securities. Private equities include venture capital partnerships, buyouts, real assets, and international funds. Fair values for interests in private equity, absolute return partnerships, and real estate partnerships are based on valuations provided by the general partners of the respective partnerships. The valuations are primarily based on the most recent net asset value (NAV) of the underlying investments. The NAV is reported by the external investment managers, including general partners, in accordance with their policies as described in their respective financial statements and offering memoranda. The most recent NAV is adjusted for capital calls, distributions, and significant known valuation changes, if any, of its related portfolio through June 30, 2021 and 2020.

Interests in certain direct investments in real estate are estimated based upon independent appraisals. Because the private equity, real estate, real assets, and absolute return partnerships, along with direct investments in real estate, are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would be used had a ready market for such investments existed. These investments are generally less liquid than other investments, and the value reported may differ from the values that would have been reported had a ready market for these investments existed.

For other investments, the University considers various factors to estimate fair value, such as the timing of the transaction, the market in which the company operates, comparable transactions, company performance and projections, as well as discounted cash flow analysis. The selection of an appropriate technique may be affected by the availability and general reliability of relevant inputs. In some cases, one valuation technique may provide the best indication of fair value while in other circumstances, multiple valuation techniques may be appropriate. Furthermore, the University may review the investment's underlying portfolio as well as engage external appraisers, depending on the nature of the investment.

The University exercises due diligence in assessing the external managers' use of and adherence to fair value principles. In conjunction with these procedures, estimated fair value is determined by consideration of a wide range of factors, including market conditions, redemption terms, and restrictions and

risks inherent to the inputs of the external investment managers' valuation. In situations where the information provided by the external manager is deemed to not be representative of the fair value as of the measurement date, management evaluates specific features of the investment and utilizes supplemental fair value information provided by the external manager along with any relevant market data to measure the investment's fair value.

Investments in registered investment companies are valued based upon the reported NAV of those companies. Mortgage loans, held as investments, are valued on the basis of their future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Insurance contracts are valued at contract value, plus reinvested interest, which approximates fair value.

Investments denominated in foreign currencies are translated into U.S. dollar equivalents using year-end spot foreign currency exchange rates. Purchases and sales of investments and their related income are translated at the rate of exchange on the respective transaction dates. Realized and unrealized gains and losses resulting from foreign currency changes are included in the University's Statement of Revenues, Expenses, and Changes in Net Position.

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 based on fair value at the date of donation.

The foundations may invest all or a portion of their investments in University-managed investment pools. Certain securities in these investment pools are included in the University's security lending program. Accordingly, the foundations' investments in University-managed investment pools and their allocated share of the securities lending activities have been excluded from the University's financial statements and included in the Foundations column.

#### **Derivative financial instruments**

Derivative instruments are recorded at fair value. Futures contracts, foreign currency exchange contracts, stock

rights and warrants, options, and swaptions are valued at the settlement price on the last day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry-standard pricing service, when available. Financial institutions or independent advisors have estimated the fair value of the interest rate swaps and total return swaps using quoted market prices when available or discounted expected future net cash flows.

The University has entered into interest rate swap agreements to limit the exposure of its variable-rate debt to changes in market interest rates. Interest rate swap agreements involve the exchange with a counterparty of fixed- and variable-rate interest payments periodically over the life of the agreement without exchange of the underlying notional principal amounts. The net differential to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. The University's counterparties are major financial institutions.

Derivatives are recorded at estimated fair value as either assets or liabilities in the Statement of Net Position. Certain derivatives are determined to be hedging derivatives and designated as either a fair value or cash flow hedge. Under hedge accounting, changes in the fair value of hedging derivatives are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values).

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

#### **Accounts receivable, net**

Accounts receivable, net of allowance for uncollectible amounts, include reimbursements due from state and federal sponsors of externally funded research, patient billings, accrued income on investments, and other receivables. Other receivables include local government and private grants and contracts, educational activities, and amounts due from students, employees, and faculty.

#### **Pledges receivable, net**

Unconditional pledges of private gifts to UCLA or the foundations, net of allowance for uncollectible amounts,

are recorded as pledges receivable and revenue in the year promised at the net present value of expected cash flows. Conditional pledges, including all pledges of endowments and intentions to pledge, are recognized as receivables and revenues when the specified conditions are met.

### Notes and mortgages receivable, net

Loans to students, net of allowance for uncollectible amounts, are provided from federal student loan programs and from other University sources. Home mortgage loans, primarily to faculty, are provided from the University's Short Term Investment Pool and from other University sources. Mortgage loans provided by the Short Term Investment Pool are classified as investments, and loans provided by other sources are classified as mortgages receivable in the Statement of Net Position.

### Inventories

Inventories for the campus, consisting primarily of supplies and merchandise for resale, are valued at cost, typically determined under the weighted average method, which is not in excess of estimated net realizable value. Inventories for the medical center consist primarily of pharmaceuticals and medical supplies which are stated on a first-in, first-out basis at the lower of cost or market.

### Capital assets, net

Land, infrastructure, buildings and improvements, intangible assets, equipment, libraries, collections, and special collections are recorded at cost at the date of acquisition, or estimated acquisition value at the date of donation in the case of gifts. Estimates of acquisition value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual value. Intangible assets include easements, land rights, trademarks, patents, and other similar arrangements. Capital leases are recorded at the estimated present value of future minimum lease payments. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized if the cost exceeds \$35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of \$5,000 and a useful life of more than one year is capitalized. Incremental costs, including salaries and employee benefits, directly related to the acquisition, development, and installation of major software projects are included in the cost of the capital assets.

All costs of land, library collections, and special collections are capitalized.

Depreciation is calculated using the straight-line method over the estimated economic life of the asset. Equipment under capital leases is amortized over the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the applicable lease or the economic life of the asset.

Estimated economic lives are generally as follows:

	Years
Infrastructure	25
Buildings and improvements	15 - 33
Equipment	2 - 20
Computer software	3 - 7
Intangible assets	2 - indefinite
Library books and collectibles	15

Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are also capitalized and depreciated.

Inexhaustible capital assets, such as land or special collections that are protected, preserved, and held for public exhibition, education, or research, including art, museum, scientific and rare book collections, are not depreciated.

### Unearned revenue

Unearned revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees for housing and dining services.

### Federal refundable loans

Certain loans to students are administered by UCLA with funding primarily supported by the federal government. UCLA's Statement of Net Position includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

### **Bond premium**

The bond premium received in the issuance of long-term debt is amortized as a reduction to interest expense over the term of the related long-term debt.

### **Self-insurance programs**

The University is self-insured or insured through Fiat Lux for medical malpractice, workers' compensation, employee health care, and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. The estimated liabilities are based upon an independent actuarial determination of the present value of the anticipated future payments. Settlements did not exceed self-insured or supplementally insured coverage for any program in the past three fiscal years.

### **Obligations under life income agreements**

Obligations under life income agreements represent trusts with living income beneficiaries where UCLA has a residual interest. The investments associated with these agreements are recorded at fair value. The discounted present value of the income beneficiary interest is reported as a liability in the Statement of Net Position. Gifts subject to such agreements administered by UCLA are recorded as deferred inflows of resources, net of the income beneficiary share, at the date of the gift. The residual interest is reported in deferred inflows of resources in the Statement of Net Position. At the termination of the agreement, UCLA's residual interest is recorded as gift revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

### **Pollution remediation obligations**

Upon an obligating event, UCLA estimates the components of any expected pollution remediation costs and recoveries from third parties. The costs, estimated using the expected cash flow technique, are accrued as a liability. Pollution remediation liabilities generally involve groundwater, soil, and sediment contamination at certain sites where state and other regulatory agencies have indicated that UCLA is among the responsible parties. The liabilities are reviewed annually and may increase or decrease the cost of

recovery from third parties, if any, as a result of additional information that refines the estimates, or from payments made from revenue sources that support the activity. There were no expected recoveries at June 30, 2021 and 2020, reducing the pollution remediation liability.

### **Asset retirement obligations**

Upon an obligating event, UCLA records the costs of any expected tangible capital asset retirement obligations using the best estimate of the current value of outlays expected to be incurred. The liabilities are reviewed annually and may change as a result of additional information that refines the estimates. Actual asset retirement obligation costs may vary from these estimates as a result of changes in assumptions such as asset retirement dates, regulatory requirements, technology and costs of labor, materials and equipment. The estimated remaining useful lives of these assets range from 2 to 27 years.

### **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 apply to a future period, respectively. UCLA classifies gains on refunding of debt, and increases in the fair value of the hedging derivatives as deferred inflows of resources. UCLA's deferred inflows of resources related to changes in irrevocable split-interest agreements are included in the financial statements of the University. UCLA classifies losses on refunding of debt, decreases in the fair value of hedging derivatives, and certain asset retirement obligations as deferred outflows of resources. Gains or losses on refunding of debt are amortized as a component of interest expense over the remaining life of the old debt, or the new debt, whichever is shorter. Asset retirement obligations are recognized over the remaining useful life of the related asset. Revenues from split interest agreements are recognized when the resources become available to spend.

Changes in the net pension and net retiree health liabilities not included in expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension and retiree health liabilities are reported as deferred outflows of resources.

## Net position

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 UCLA's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets.

**Restricted.** UCLA and the foundations classify the net position resulting from transactions with purpose or time restrictions as restricted net position until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.

**Nonexpendable.** The net position subject to externally imposed restrictions, which must be retained in perpetuity by UCLA or the foundations, is classified as nonexpendable net position. This includes UCLA's and the foundations' permanent endowment funds.

Also included in nonexpendable net position are minority interests, which include the net position of legally separate organizations attributable to other participants.

**Expendable.** The net position whose use by UCLA or the foundations is subject to externally imposed restrictions that can be fulfilled by actions of UCLA or the foundations pursuant to those restrictions or that expire by the passage of time is classified as expendable net position.

**Unrestricted.** The net position that is not subject to externally imposed restrictions governing its use is classified as unrestricted net position. UCLA's unrestricted net position may be designated for specific purposes by management or The Regents. The foundations' unrestricted net position may be designated for specific purposes by their Boards of Trustees. Substantially all of UCLA's unrestricted net position is allocated for academic and research initiatives or programs, for capital programs or for other purposes.

Restricted or unrestricted resources are spent based upon a variety of factors, including funding restrictions, consideration of prior and future revenue sources, the type of expense incurred,

UCLA's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost. Unrestricted net position is negative due primarily to liabilities for pension and retiree health benefits exceeding UCLA's assets available to pay such obligations.

## Revenues and expenses

Operating revenues of UCLA include receipts from student tuition and fees, grants and contracts for specific operating activities, sales and services from medical centers, educational activities, and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of UCLA are presented in the Statement of Revenues, Expenses, and Changes in Net Position as operating activities.

Certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of UCLA are mandated by the GASB to be recorded as nonoperating revenues, including state educational appropriations, certain federal grants for student financial aid, private gifts, and investment income, since the GASB does not consider them to be related to the principal operating activities of UCLA.

The foundations are established to financially support UCLA. Private gifts to the foundations are recognized as operating revenues since, in contrast to UCLA, such contributions are fundamental to the core mission of the foundations. Foundation grants to UCLA are recognized as operating expenses by the foundations. Private gift or capital gift revenues associated with the foundation grants to UCLA are recorded by UCLA as gifts when the foundations transfer the gifts to UCLA.

Nonoperating revenues and expenses include state educational appropriations, state hospital fee grants, direct government grants from the American Rescue Plan Act (ARPA), Coronavirus Aid, Relief, and Economic Security (CARES) Act, Build America Bond federal interest subsidies, Federal Pell Grants, private gifts for other than capital purposes, investment income, net appreciation (or depreciation) in the fair value of investments, interest expense, and the loss on the disposal of capital assets.

UCLA received grants under certain provisions of the ARPA and CARES Act, reported as nonoperating revenues, to



minimize the impacts of lost revenues and increased expenses related to COVID-19. UCLA received grants under the Higher Education Emergency Relief Fund to provide emergency financial aid to students and to mitigate the impacts of lost revenue and additional technology expenses associated with moving to online education. UCLA Medical Center and faculty practices received grants under the CARES Act Provider Relief Fund for lost revenues and health care related expenses related to operational changes to prepare for treating patients with COVID-19.

State capital appropriations, capital gifts and grants, and gifts for permanent endowment purposes are classified as other changes in net position.

### Student tuition and fees

Substantially all student tuition and fees provide for the current operations of UCLA. A small portion of the student fees, reported as capital gifts and grants, is required for debt service associated with student union and recreational centers.

UCLA recognizes scholarship allowances as the difference between the stated charge for tuition and fees, housing and dining charges, recreational center and other fees, and the amount that is paid by the student and third parties on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances are netted against student tuition and fees in the Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30 as follows:

<i>(in thousands of dollars)</i>	2021	2020
Student tuition and fees	\$252,396	\$231,788
Auxiliary enterprises	16,134	42,266
<b>Scholarship Allowances</b>	<b>\$268,530</b>	<b>\$274,054</b>

### State appropriations

The state of California provides appropriations to the University on an annual basis. State educational appropriations are recognized as nonoperating revenue; however, the related expenses for educational, retirement, or other specific operating purposes are reported as operating expenses. State

appropriations for capital projects are recorded as revenue under other changes in net position when the related expenditures are incurred. Special state appropriations for AIDS, tobacco, and breast cancer research are reported as grant operating revenue.

### Grant and contract revenue

UCLA receives grant and contract revenue from governmental and private sources. UCLA recognizes revenue associated with the direct costs of sponsored programs as the related expenditures are incurred. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with UCLA's federal cognizant agency, the U.S. Department of Health and Human Services. For the year ended June 30, 2021, the facilities and administrative cost recovery totaled \$223 million, which consisted of \$158 million from federally sponsored programs and \$65 million from other sponsors. For the year ended June 30, 2020, the facilities and administrative cost recovery totaled \$211 million, which consisted of \$148 million from federally sponsored programs and \$63 million from other sponsors.

### Medical center revenue

Medical center revenue is reported at the estimated net realizable amounts from patients and third-party payors, including Medicare, Medi-Cal, and others, for services rendered, as well as estimated retroactive adjustments under reimbursement agreements with third-party payors. Laws and regulations governing Medicare and Medi-Cal are complex and subject to interpretation. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is reasonably possible that estimated amounts accrued could change significantly based upon settlements, or as additional information becomes available.

### Net pension liability

UCLA records net pension liability equal to the net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the defined benefit plans have been measured consistent with the accounting policies used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms

and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

Pension expense is recognized for benefits earned during the period, interest on the unfunded liability, and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows, and are recognized over five years.

#### **Retiree health benefits and liability**

UCLA's net retiree health benefits liability is measured as the total retiree health benefits liability, less the amount of the University of California Retiree Health Benefit Trust's (UCRHBT's) fiduciary net position. The fiduciary net position and changes in net position of UCRHBT have been measured consistent with the accounting policies used by the trust. The total retiree health benefits liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the health benefit trust's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

Expense for retiree health benefits is recognized for benefits earned during the period, interest on the unfunded liability, and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for retiree health benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

Campus and medical center contributions toward retiree health costs made to UCRHBT are shown as operating activities in the Statement of Cash Flows. Cash flows resulting from retiree health contributions from retirees are shown as noncapital financing activities in the Statement of Cash flows.

#### **Compensated absences**

UCLA accrues annual leave, including employer-related costs, for employees at rates based upon length of service and job classification, and compensatory time based upon job classification and hours worked.

#### **Endowment spending**

Under provisions of California law, the Uniform Prudent Management of Institutional Funds Act allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of UCLA programs.

#### **Tax exemption**

The University is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), except for tax on unrelated business income under IRC Section 511. The University is also exempt from federal income tax under IRC Section 115(a) as a state institution. In addition, the University is exempt from state income taxes imposed under the California Revenue and Taxation Code. The UCLA Foundation, the Jonsson Cancer Center Foundation, and Associated Students UCLA also qualified for tax exemption under IRC Section 501(c)(3).

#### **Use of estimates**

The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although management believes the estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made and actual amounts could differ from those estimates.

#### **New accounting pronouncements**

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for the University's fiscal year beginning July 1, 2021. This

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

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for the University's fiscal year beginning July 1, 2022. The Statement defines a conduit debt obligation and clarifies the accounting and financial reporting for conduit debt obligations with additional or voluntary commitments by issuers. The University is evaluating the effect that Statement No. 91 will have on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, effective for the University's fiscal year beginning July 1, 2021. The Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The University is evaluating the effect that Statement No. 92 will have on its financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the University's fiscal year beginning July 1, 2022. The Statement provides guidance for financial reporting for public-private and public-public partnership arrangements and availability payment arrangements. The University is evaluating the effect that Statement No. 94 will have on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the University's fiscal year beginning July 1, 2023. The Statement requires for these arrangements to be recorded as a right-to-use intangible asset and a corresponding

subscription liability. The University is evaluating the effect that Statement No. 96 will have on its financial statements.

## 1. CASH

UCLA's cash is maintained and managed centrally by the University of California Office of the President (the "UCOP"). Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts on a daily basis.

Under University policy, deposits are only held at financial institutions that maintain an issuer rating on long-term debt of A3 or higher by Moody's, A- or higher by Standard & Poor's or an Asset Peer Group rating of 65 or higher as defined by Sheshunoff Bank Rating Reports. At June 30, 2021 and 2020, the carrying amount of the University's demand deposits, generally held in five nationally recognized banking institutions, was \$678.1 million and \$335.7 million, respectively, compared to bank balances of \$441.7 million and \$280.7 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. The University's deposits are uninsured and uncollateralized except for bank balances insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable statutory limits.

At June 30, 2021 and 2020, UCLA cash was \$4.6 million and \$5.3 million, respectively.

The carrying amount of the campus foundations' cash at June 30, 2021 and 2020 was \$7.6 million and \$8.1 million, respectively, compared to bank balances of \$7.1 million and \$7.7 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. Uncollateralized bank balances include \$0.5 million and \$0.4 million in excess of the FDIC limits at June 30, 2021 and 2020, respectively. The campus foundations do not have exposure to foreign currency risk in their cash.

## 2. INVESTMENTS

The Regents, as the governing Board, is responsible for the oversight of the University's investments and establishes an investment policy, which is carried out by the Chief Investment Officer. These investments are associated with the Short Term Investment Pool (STIP), Total Return Investment Pool (TRIP), Blue and Gold Pool (BGP), General Endowment Pool (GEP), and other investment

pools managed by the Chief Investment Officer, or are separately invested. Pursuant to The Regents' policies on campus foundations, the Board of Trustees for each campus foundation may determine that all or a portion of their investments will be managed by the Chief Investment Officer. Asset and Risk Allocation Policy guidelines are provided to the campus foundations by the Investments Committee of The Regents.

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

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

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

BGP is an investment pool established by The Regents and is available to the University and its related entities. The objective of BGP is to provide a low-cost, liquid, diversified investment vehicle to invest long-term excess reserves to earn a higher return than would otherwise be expected from STIP and TRIP. To achieve liquidity, transparency and minimal expense, a passive investment strategy in equities and bonds is used. BGP was liquidated and closed effective April 30, 2020.

GEP is an investment pool in which a large number of individual endowments participate in order to benefit from

diversification and economies of scale. GEP is a balanced portfolio and the primary investment vehicle for endowed gift funds. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements.

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

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

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

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.

More detail about the University of California's investments, securities lending, derivative financial instruments, and investments held by trustees can be found in the audited University of California Annual Financial Report.

### 3. ACCOUNTS RECEIVABLE

Accounts receivable and the allowance for uncollectible accounts are as follows:

	UCLA				UCLA FOUNDATIONS
	STATE & FEDERAL GOVERNMENT	MEDICAL CENTER	OTHER	TOTAL	
<i>(in thousands of dollars)</i>					
<b>At June 30, 2021</b>					
Accounts receivable	\$149,772	\$637,927	\$452,554	\$1,240,253	\$25,983
Allowance for uncollectible accounts	(229)	(72,030)	(25,669)	(97,928)	
<b>Accounts receivable, net</b>	<b>\$149,543</b>	<b>\$565,897</b>	<b>\$426,885</b>	<b>\$1,142,325</b>	<b>\$25,983</b>
<b>At June 30, 2020</b>					
Accounts receivable	\$142,191	\$489,771	\$412,409	\$1,044,371	\$65,085
Allowance for uncollectible accounts	(320)	(47,238)	(20,137)	(67,695)	
<b>Accounts receivable, net</b>	<b>\$141,871</b>	<b>\$442,533</b>	<b>\$392,272</b>	<b>\$976,676</b>	<b>\$65,085</b>

UCLA's other accounts receivable are primarily related to tuition and fees, auxiliary enterprises, private grants and contracts, and educational activities.

The foundations' accounts receivable are primarily related to investment income.

Uncollectible accounts have decreased the following revenues for the years ended June 30:

<i>(in thousands of dollars)</i>	2021	2020
Student tuition and fees	\$310	\$105
Grants and contracts	(104)	
Medical center	(52,369)	(45,017)
Educational activities	(3,140)	(1,050)
Auxiliary enterprises	(403)	24
<b>Expense for uncollectible accounts</b>	<b>\$(55,706)</b>	<b>\$(45,938)</b>



#### 4. PLEDGES RECEIVABLE

The composition of pledges receivable at June 30 is summarized as follows:

	UCLA		UCLA FOUNDATIONS	
	2021	2020	2021	2020
<i>(in thousands of dollars)</i>				
Total pledges receivable outstanding	\$52,017	\$35,209	\$559,109	\$602,471
Unamortized discount to present value	(229)	(780)	(87,280)	(94,219)
Allowance for uncollectible pledges	(1,719)	(6,454)	(17,787)	(17,890)
<b>Total pledges receivable, net</b>	<b>50,069</b>	<b>27,975</b>	<b>454,042</b>	<b>490,362</b>
Current portion of pledges receivable	(35,194)	(10,134)	(81,734)	(87,803)
<b>Noncurrent portion of pledges receivable</b>	<b>\$14,875</b>	<b>\$17,841</b>	<b>\$372,308</b>	<b>\$402,559</b>

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2021 and thereafter are as follows:

Adjustments to the allowance for uncollectible pledges for UCLA have decreased private gift revenue by \$551K and increased private gift revenue by \$278K for the years ended June 30, 2021 and 2020, respectively.

<i>(in thousands of dollars)</i>	UCLA	UCLA FOUNDATIONS
Year Ending June 30		
2022	\$36,422	\$95,065
2023	5,473	97,662
2024	6,763	41,632
2025	2,742	47,448
2026	413	36,611
2027-2031	204	61,877
Beyond 2031		178,814
<b>Total payments on pledges receivable</b>	<b>\$52,017</b>	<b>\$559,109</b>

## 5. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2021 and 2020, along with allowance for uncollectible amounts, are as follows:

<i>(in thousands of dollars)</i>	CURRENT	NONCURRENT NOTES	NONCURRENT MORTGAGES	TOTAL
<b>At June 30, 2021</b>				
Notes and mortgages receivable	\$7,294	\$49,449	\$16,899	\$73,642
Allowance for uncollectible amounts	(1,018)	(2,131)	(169)	(3,318)
<b>Notes and mortgages receivable, net</b>	<b>\$6,276</b>	<b>\$47,318</b>	<b>\$16,730</b>	<b>\$70,324</b>
<b>At June 30, 2020</b>				
Notes and mortgages receivable	\$7,032	\$55,424	\$14,279	\$76,735
Allowance for uncollectible amounts	(1,089)	(2,619)	(143)	(3,851)
<b>Notes and mortgages receivable, net</b>	<b>\$5,943</b>	<b>\$52,805</b>	<b>\$14,136</b>	<b>\$72,884</b>

## 6. CAPITAL ASSETS

UCLA's capital asset activity for the years ended June 30 is as follows:

<i>(in thousands of dollars)</i>	2019	ADDITIONS	DISPOSALS	2020	ADDITIONS	DISPOSALS	2021
<b>ORIGINAL COST</b>							
Land	\$167,320	\$58,299		\$225,619	\$55,432		\$281,051
Infrastructure	18,573			18,573	1,541		20,114
Buildings and improvements	8,284,842	458,457	\$(4,227)	8,739,072	268,491	\$(121)	9,007,442
Equipment, software and intangibles	1,787,252	138,674	(226,485)	1,699,441	102,855	(90,862)	1,711,434
Libraries and collections	817,165	37,031		854,196	34,884		889,080
Special collections	128,578	2,916		131,494	3,256		134,750
Construction in progress	402,595	219,002		621,597	336,899		958,496
<b>Capital assets, at original cost</b>	<b>\$11,606,325</b>	<b>\$914,379</b>	<b>\$(230,712)</b>	<b>\$12,289,992</b>	<b>\$803,358</b>	<b>\$(90,983)</b>	<b>\$13,002,367</b>
	2019	DEPRECIATION & AMORTIZATION	DISPOSALS	2020	DEPRECIATION & AMORTIZATION	DISPOSALS	2021
<b>ACCUMULATED DEPRECIATION AND AMORTIZATION</b>							
Infrastructure	\$7,735	\$528		\$8,263	\$583		\$8,846
Buildings and improvements	3,584,964	254,452	\$(1,592)	3,837,824	265,127	\$(26)	4,102,925
Equipment, software and intangibles	1,106,080	130,969	(207,264)	1,029,785	118,052	(74,019)	1,073,818
Libraries and collections	572,291	29,941	(7,772)	594,460	31,468	(1,673)	624,255
<b>Accumulated depreciation and amortization</b>	<b>5,271,070</b>	<b>\$415,890</b>	<b>\$(216,628)</b>	<b>5,470,332</b>	<b>\$415,230</b>	<b>\$(75,718)</b>	<b>5,809,844</b>
<b>Capital assets, net</b>	<b>\$6,335,255</b>			<b>\$6,819,660</b>			<b>\$7,192,523</b>

**7. DEBT**

The University directly finances the construction, renovation, and acquisition of facilities and equipment, or for such other purposes as are authorized by The Regents through the issuance of debt obligations. Commercial paper and bank loans provide interim financing. Long-term financing includes revenue bonds, financing obligations, and other borrowings.

UCLA's outstanding debt at June 30 is as follows:

<i>(in thousands of dollars)</i>					
	<b>WEIGHTED AVERAGE INTEREST RATE</b>	<b>INTEREST RATE RANGE</b>	<b>MATURITY YEARS</b>	<b>2021</b>	<b>2020</b>
<b>INTERIM FINANCING:</b>					
Commercial paper		0 - 0.2%	2021 - 2022	\$19,467	\$278,795
<b>LONG TERM FINANCING:</b>					
University of California General Revenue Bonds:					
Fixed rate	4.5%	0.2 - 7.6%	2022 - 2115	2,121,894	1,407,134
Variable rate	0.02%	0.02 - 0.07%	2037 - 2048	85,791	85,791
University of California Limited Project Revenue Bonds	4.5%	0.3 - 6.3%	2022 - 2058	1,419,426	732,790
University of California Medical Center Pooled Revenue Bonds:					
Fixed rate	4.1%	1.9 - 6.6%	2022 - 2120	931,258	946,338
Variable rate	0.02%	0.01 - 0.02%	2022 - 2047	180,510	180,510
Unamortized bond premium				231,118	167,125
<b>University of California revenue bonds</b>	<b>4.2%</b>			<b>4,969,997</b>	<b>3,519,688</b>
Financing obligations		0 - 11.8%	2021 - 2042	90,255	113,646
Other University borrowings		Various	2021 - 2055	152,206	173,371
<b>Total outstanding debt</b>				<b>5,231,925</b>	<b>4,085,500</b>
Less: Commercial paper				(19,467)	(278,795)
Current portion of outstanding debt				(473,645)	(490,872)
<b>Noncurrent portion of outstanding debt</b>				<b>\$4,738,813</b>	<b>\$3,315,833</b>

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

<i>(in thousands of dollars)</i>	REVENUE BONDS	FINANCING OBLIGATIONS	OTHER BORROWINGS	TOTAL
<b>Year Ended June 30, 2021</b>				
Long-term debt and financing obligations at June 30, 2020	\$3,519,688	\$113,646	\$173,371	\$3,806,705
New obligations	1,570,485	4,568		1,575,053
Bond premium, net	81,934			81,934
Refinance or prepayment of outstanding debt	(76,212)			(76,212)
Scheduled principal payments	(111,110)	(27,959)	(21,165)	(160,234)
Amortization of bond premium	(14,788)			(14,788)
<b>Long-term debt and financing obligations at June 30, 2021</b>	<b>4,969,997</b>	<b>90,255</b>	<b>152,206</b>	<b>5,212,458</b>
Less: Current portion	(381,060)	(9,566)	(83,019)	(473,645)
<b>Noncurrent portion at June 30, 2021</b>	<b>\$4,588,937</b>	<b>\$80,689</b>	<b>\$69,187</b>	<b>\$4,738,813</b>
<b>Year Ended June 30, 2020</b>				
Long-term debt and financing obligations at June 30, 2019	\$3,154,994	\$115,674	\$189,736	\$3,460,404
New obligations	607,108	24,576	2,327	634,011
Refinance or prepayment of outstanding debt	(22,819)		(14,603)	(37,422)
Scheduled principal payments	(205,598)	(26,604)	(4,089)	(236,291)
Amortization of bond premium	(13,997)			(13,997)
<b>Long-term debt and financing obligations at June 30, 2020</b>	<b>3,519,688</b>	<b>113,646</b>	<b>173,371</b>	<b>3,806,705</b>
Less: Current portion	(366,550)	(23,148)	(101,174)	(490,872)
<b>Noncurrent portion at June 30, 2020</b>	<b>\$3,153,138</b>	<b>\$90,498</b>	<b>\$72,197</b>	<b>\$3,315,833</b>

### Commercial paper

The University has available a \$2.0 billion commercial paper program, issued in two series, with tax-exempt and taxable components. Commercial paper may be issued for interim financing for capital projects, interim financing of equipment, financing of working capital for the medical centers, standby or interim financing for gift financed projects, and working capital for the University.

The program's liquidity is primarily supported by available investments in STIP and TRIP. Commercial paper is collateralized by a pledge of the revenues derived from the ownership or operation of the projects financed and constitute limited obligations of the University. There is no encumbrance, mortgage, or other pledge of property securing commercial paper, and the paper does not constitute general obligations of the University.

The expectation is that the University will continue to utilize available investments for liquidity support of the commercial paper program. Alternatively, the University may utilize lines of credit from external banks for the purpose of providing additional liquidity support for the commercial paper program. As of June 30, 2021, the University has two revolving credit agreements totaling \$700.0 million. There were no borrowings against the revolving credit lines as of June 30, 2021.

Commercial paper outstanding for UCLA, including interest rates, at June 30 is as follows:

	2021		2020	
	INTEREST RATES	OUTSTANDING	INTEREST RATES	OUTSTANDING
<i>(in thousands of dollars)</i>				
Tax-exempt	0.08 - 0.11%	\$6,807	0.08 - 0.15%	\$183,909
Taxable	0.04 - 0.16%	12,660	0.15 - 1.72%	94,886
<b>Total Outstanding</b>		<b>\$19,467</b>		<b>\$278,795</b>

### University of California Revenue Bonds

Revenue bonds have financed various auxiliary, administrative, academic, medical center, and research facilities of the University. The bonds generally have annual principal and semiannual or monthly interest payments, serial and term maturities, contain sinking fund requirements, and may have optional redemption provisions. Revenue bonds are not collateralized by any encumbrance, mortgage, or other pledge of property, except pledged revenues, and do not constitute general obligations of The Regents. Revenue Bond Indentures require the University to use the facilities in a way which will not cause the interest on the tax-exempt bonds to be included in the gross income of the bondholders for federal tax purposes. The Indentures permit the University to issue additional bonds as long as certain conditions are met.

General Revenue Bonds are collateralized solely by General Revenues as defined in the General Revenue Bond Indenture. General Revenues are certain operating and nonoperating revenues of the University consisting of gross student tuition and fees; a portion of state appropriations; facilities and administrative cost recovery from contracts and grants; revenues from educational, auxiliary, and other activities; and other revenues, including unrestricted investment income. The General Revenue Bond Indenture requires the University to set rates, charges, and fees each year sufficient for General Revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of General Revenues for interest rate swap agreements is on a parity basis with the University's General Revenue Bonds. UCLA's General Revenues for the years ended June 30, 2021 and 2020 were \$4.1 billion and \$3.9 billion, respectively.



Limited Project Revenue Bonds are issued to finance auxiliary enterprises and are collateralized by a pledge consisting of the sum of the gross revenues of specific projects. The Limited Project Revenue Bond Indenture requires the University to achieve the sum of revenues equal to 1.1 times debt service and to maintain certain other covenants. The pledge of revenues for Limited Project Revenue Bonds is subordinate to the pledge of revenues for General Revenue Bonds, but senior to pledges for commercial paper notes. UCLA's pledged revenues for the years ended June 30, 2021 and 2020 were \$199.3 million and \$437.2 million, respectively.

Medical Center Pooled Revenue Bonds are issued to finance the University's medical center facilities and are collateralized by a joint and several pledges of the gross revenues of all five of the University's medical centers. Medical center gross revenues are excluded from General Revenues. The Medical Center Pooled Revenue Bond Indenture requires the medical centers to set rates, charges, and fees each year sufficient for the Medical Centers' total operating and nonoperating revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of the medical center revenues for interest rate swap agreements may be at parity with, or subordinate to, Medical Center Pooled Revenue Bonds. Pledged revenues of the medical centers for the years ended June 30, 2021 and 2020 were \$15.8 billion and \$14.4 billion, respectively. Pledged revenues for the UCLA Medical Center for the years ended June 30, 2021 and 2020 were \$3.2 billion and \$3.0 billion, respectively.

### 2021 activity

In March 2021, General Revenue Bonds totaling \$333.6 million, including \$316.4 million in taxable bonds, were issued to finance the acquisition, construction, improvement and renovation of certain facilities of UCLA. The taxable bonds mature at various dates through 2051 and have a stated weighted average interest rate of 2.8 percent. Proceeds of \$250.0 million of the taxable bonds will be used for operations. Proceeds of the tax-exempt bonds and the remaining proceeds of the taxable bonds, including a bond premium of \$2.2 million, were used to pay for project construction and issuance costs and to repay \$76.5 million of outstanding General Revenue Bonds between 2021 and 2024. The tax-exempt bonds have a stated weighted

average interest rate of 4.2 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In March 2021, Limited Project Revenue Bonds totaling \$731.1 million, including \$291.0 million in taxable bonds, were issued to finance the acquisition, construction, improvement and renovation of certain facilities of UCLA. The taxable bonds mature at various dates through 2051 and have a stated weighted average interest rate of 2.6 percent. Proceeds of the tax-exempt bonds and the remaining proceeds of the taxable bonds, including a bond premium of \$73.6 million, were used to pay for project construction and issuance costs and to repay \$10.8 million of outstanding Limited Project Revenue Bonds in 2021 and 2022. The tax-exempt bonds have a stated weighted average interest rate of 4 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In March 2021, the University priced \$69.1 million of tax-exempt Limited Project Revenue Bonds for UCLA that are expected to be delivered in February 2022. Proceeds of the bonds, including the bond premium, will be used to pay for issuance costs and to repay \$83.8 million of outstanding Limited Project Revenue Bonds at the call date. The bonds will have a stated weighted average interest rate of 5.0 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. While the University has entered into an agreement with underwriters for delivery of the bonds, no guarantee can be made that the bonds will be delivered and that the outstanding bonds will be repaid.

In July 2020, General Revenue Bonds totaling \$505.8 million, including \$30.8 million in tax-exempt bonds and \$475.0 million in taxable bonds, were issued for working capital purposes and to finance and refinance the acquisition, construction, improvement and renovation of certain facilities of UCLA. The bonds mature at various dates through 2050. Proceeds of \$428.0 million of the taxable bonds will be used for operations. Proceeds of the tax-exempt bonds and the remaining proceeds of the taxable bonds, including a bond premium of \$6.1 million, were used to pay for project construction and issuance costs and to repay \$9.0 million of outstanding General Revenue Bonds in August 2020. The tax-exempt bonds have

a stated weighted average interest rate of 4.2 percent. The taxable bonds have a stated weighted average interest rate of 1.5 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

**2020 activity**

In March 2020, Medical Center Pooled Revenue Bonds totaling \$607 million, including \$458 million in taxable bonds, were issued to finance the acquisition, construction, improvement and renovation of certain facilities at the UCLA's medical center. The taxable bonds mature at various dates through 2120 and have a stated weighted average interest rate of 3.4 percent. In addition, \$149.2 million in variable bonds were issued to refund \$149.0 million of Medical Center Pooled Revenue Bonds indexed to LIBOR.

**Capital leases**

Capital leases entered into with other lessors, typically for equipment, totaled \$5 million and \$25 million for the years ended June 30, 2021 and 2020, respectively.

**Other University borrowings**

Other University borrowings consist of contractual obligations resulting from the acquisition of land or buildings and the construction and renovation of certain facilities, along with the borrowing component associated with a hybrid derivative instrument.

As part of the University, UCLA may use uncollateralized revolving lines of credit with commercial banks for capital purposes and to provide interim financing for buildings and equipment. UCLA's lines of credit commitments for general corporate purposes, with various expiration dates through May 3, 2021, totaled \$157 million at June 30, 2020 and \$258 million at June 30, 2019. Outstanding borrowings under these bank lines totaled \$80 million and \$98 million at June 30, 2021 and 2020, respectively.

Certain of the interest rate swaps are considered hybrid instruments. As such, the interest rate swaps are comprised of a derivative instrument and a companion instrument recorded as a borrowing. The unamortized amount of the borrowing was \$72 million and \$75 million at June 30, 2021 and 2020, respectively.

**Future debt service and hedging derivative interest-rate swaps**

Future debt service payments for UCLA's fixed- and variable-rate debt for each of the five fiscal years subsequent to June 30, 2021, and thereafter are as presented below. Although not a prediction by UCLA of the future interest cost of the variable-rate bonds, these amounts assume that current interest rates on variable-rate bonds will not change. As these rates vary, variable-rate bond interest payments will vary.

<i>(in thousands of dollars)</i>	COMMERCIAL PAPER	REVENUE BONDS	FINANCING OBLIGATIONS	OTHER UNIVERSITY BORROWINGS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
<b>Year Ended June 30</b>							
2022	\$19,470	\$281,477	\$13,910	\$83,019	\$397,876	\$210,337	\$187,539
2023		282,678	12,322	3,008	298,008	120,707	177,301
2024		280,734	8,663	3,008	292,405	119,360	173,045
2025		394,269	6,240	3,008	403,517	234,649	168,868
2026		266,222	5,084	3,008	274,314	110,857	163,457
2027- 2031		1,619,640	26,700	15,040	1,661,380	924,146	737,234
2032-2036		1,191,384	32,487	15,040	1,238,911	643,138	595,773
2037-2041		1,026,429	39,525	15,040	1,080,994	628,225	452,769
2042-2046		874,076	5,544	12,035	891,655	565,001	326,654
2047-2051		983,208			983,208	748,395	234,813
2052-2056		150,216			150,216	3,445	146,771
2057- 2120		1,989,911			1,989,911	692,547	1,297,364
<b>Total future debt service</b>	<b>19,470</b>	<b>9,340,244</b>	<b>150,475</b>	<b>152,206</b>	<b>9,662,395</b>	<b>\$5,000,807</b>	<b>\$4,661,588</b>
Less: interest component of future payments	(3)	(4,601,365)	(60,220)		(4,661,588)		
<b>Principal portion of future payments</b>	<b>19,467</b>	<b>4,738,879</b>	<b>90,255</b>	<b>152,206</b>	<b>5,000,807</b>		
Adjusted by:							
Unamortized bond premium		231,118			231,118		
<b>Total debt</b>	<b>\$19,467</b>	<b>\$4,969,997</b>	<b>\$90,255</b>	<b>\$152,206</b>	<b>\$5,231,925</b>		

General Revenue Bonds of \$85.8 million are variable-rate demand bonds which primarily reset daily and, in the event of a failed remarketing, can be put back to The Regents for tender. UCLA has classified these bonds as current liabilities as of June 30, 2021.

Medical Center Pooled Revenue Bonds of \$180.5 million are variable-rate demand bonds which give the debt holders the ability to tender the bonds back to the University upon demand. UCLA has classified these bonds as current liabilities as of June 30, 2021.

For UCLA's cash flow hedges, future debt service payments for UCLA's variable-rate debt and net receipts or payments on the associated hedging derivative instruments for each of the five fiscal years subsequent to June 30, 2021, and thereafter are as presented below. Although not a prediction by UCLA of the future interest cost of the variable-rate bonds or the impact of the interest rate swaps, using rates as of June 30, 2021, combined debt service requirements of the variable-rate debt and net swap payments are as follows:

	<b>VARIABLE-RATE BONDS</b>		<b>INTEREST RATE</b>	<b>TOTAL</b>
<i>(in thousands of dollars)</i>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>SWAP, NET</b>	<b>PAYMENTS</b>
<b>Year Ending June 30</b>				
2022		\$44	\$8,094	\$8,138
2023	\$3,365	46	8,089	11,500
2024	3,525	45	8,054	11,624
2025	3,675	44	7,978	11,697
2026	3,840	44	7,840	11,724
2027-2031	22,050	207	36,947	59,204
2032-2036	27,615	182	32,456	60,253
2037-2041	42,815	151	23,250	66,216
2042-2046	108,143	90	8,200	116,433
2047-2048	51,273	9	544	51,826
<b>Total</b>	<b>\$266,301</b>	<b>\$862</b>	<b>\$141,452</b>	<b>\$408,615</b>

## 8. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

UCLA's composition of deferred outflows and inflows of resources at June 30 are summarized as follows:

(in thousands of dollars)	NET PENSION LIABILITY	NET RETIREE HEALTH BENEFITS LIABILITY	DEBT REFUNDING	INTEREST RATE SWAP AGREEMENTS	ROYALTY SALES	ASSET RETIREMENT OBLIGATIONS	TOTAL
<b>At June 30, 2021</b>							
Deferred outflows of resources	\$755,536	\$1,416,735	\$31,286	\$69,989		\$182	\$2,273,728
Deferred inflows of resources	2,281,593	1,396,962	1,244		\$338,549		4,018,348
<b>At June 30, 2020</b>							
Deferred outflows of resources	\$1,513,758	\$1,583,860	\$34,415	\$94,839		\$210	\$3,227,082
Deferred inflows of resources	95,290	1,563,441	1,292		\$390,111		2,050,134

## 9. THE UNIVERSITY OF CALIFORNIA RETIREMENT PLANS

Most UCLA employees participate in the University of California Retirement System (UCRS). UCRS consists of University of California Retirement Plan (UCRP), a governmental defined benefit plan funded with University and employee contributions; The University of California Retirement Savings Program (UCRSP), which includes defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee nonelective and elective contributions; and University of California Voluntary Early

Retirement Incentive Plan (UC-VERIP), a defined benefit plan for UCLA employees who were members of the California Public Employees' Retirement System (CalPERS) who elected early retirement. The Regents has the authority to establish and amend UCRS, and administration authority with respect to the UCRS plans is vested with the President of the University as plan administrator.

Condensed financial information related to each plan in UCRS and the changes in pension liability for UCRP and UC-VERIP for the year ended June 30, 2021 is as follows:



	UNIVERSITY OF CALIFORNIA RETIREMENT PLAN	UNIVERSITY OF CALIFORNIA UC-VERIP	UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM	TOTAL
<i>(in thousands of dollars)</i>				
<b>CONDENSED STATEMENT OF PLANS' FIDUCIARY NET POSITION</b>				
Investments at fair value	\$92,026,542	\$78,655	\$32,471,296	\$124,576,493
Participants' interests in mutual funds			2,406,949	2,406,949
Investment of cash collateral	5,465,765	4,551	3,898,876	9,369,192
Other assets	600,024	72	236,426	836,522
<b>Total assets</b>	<b>98,092,331</b>	<b>83,278</b>	<b>39,013,547</b>	<b>137,189,156</b>
Collateral held for securities lending	5,465,765	4,551	3,898,876	9,369,192
Other liabilities	876,768	2,523	366,773	1,246,064
<b>Total liabilities</b>	<b>6,342,533</b>	<b>7,074</b>	<b>4,265,649</b>	<b>10,615,256</b>
<b>Net position held in trust</b>	<b>\$91,749,798</b>	<b>\$76,204</b>	<b>\$34,747,898</b>	<b>\$126,573,900</b>
<b>CONDENSED STATEMENT OF CHANGES IN PLANS' FIDUCIARY NET POSITION</b>				
Contributions	\$3,758,997		\$1,856,854	\$5,615,851
Net appreciation in fair value of investments	18,987,863	\$16,092	6,734,363	25,738,318
Investment and other income, net	2,451,433	2,185	569,647	3,023,265
<b>Total additions</b>	<b>25,198,293</b>	<b>18,277</b>	<b>9,160,864</b>	<b>34,377,434</b>
Benefit payment and participant withdrawals	4,299,910	3,750	1,675,914	5,979,574
Other deductions	64,826	4	4,066	68,896
<b>Total deductions</b>	<b>4,364,736</b>	<b>3,754</b>	<b>1,679,980</b>	<b>6,048,470</b>
<b>Change in net position held in trust</b>	<b>20,833,557</b>	<b>14,523</b>	<b>7,480,884</b>	<b>28,328,964</b>
<b>Net position held in trust</b>				
Beginning of year	70,916,241	61,681	27,267,014	98,244,936
<b>End of year</b>	<b>\$91,749,798</b>	<b>\$76,204</b>	<b>\$34,747,898</b>	<b>\$126,573,900</b>
<b>CHANGES IN TOTAL PENSION LIABILITY</b>				
Service cost	\$2,564,134			\$2,564,134
Interest	6,311,412	\$1,513		6,312,925
Difference between expected and actual experience	462,839	179		463,018
Benefits paid, including refunds of employee contributions	(4,299,910)	(3,750)		(4,303,660)
<b>Net change in total pension liability</b>	<b>5,038,475</b>	<b>(2,058)</b>		<b>5,036,417</b>
<b>Total pension liability</b>				
Beginning of year	92,625,385	24,117		92,649,502
<b>End of year</b>	<b>\$97,663,860</b>	<b>\$22,059</b>		<b>\$97,685,919</b>
<b>Net pension liability (asset), end of year</b>	<b>\$5,914,062</b>	<b>\$(54,145)</b>		<b>\$5,859,917</b>

Additional information on the retirement plans can be obtained from the 2020–2021 annual report of the University of California Retirement System which can be obtained at <http://reportingtransparency.universityofcalifornia.edu>.

### University of California Retirement Plan (UCRP)

UCRP provides lifetime retirement income, disability protection, death benefits, and postretirement and preretirement survivor benefits to eligible employees of the University, and its affiliates. Prior to July 1, 2016, membership in UCRP was required for all employees appointed to work at least 50 percent time for one year or more or for an indefinite period or for a definite period of a year or more. Effective July 1, 2016, certain employees were given a choice to participate in UCRP or select a defined contribution plan option. 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 UCRP 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 or plan provisions. Annual cost-of-living adjustments (COLAs) are made to monthly benefits according to a specified formula based on the Consumer Price Index. Ad hoc COLAs may be granted subject to funding availability.

The University's membership in UCRP consisted of the following at June 30, 2021:

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	70,068	12,944	83,012
Inactive members entitled to, but not receiving benefits	97,952	8,339	106,291
Active members:			
Vested	80,623	1,753	82,376
Nonvested	48,022	700	48,722
<b>Total active members</b>	<b>128,645</b>	<b>2,453</b>	<b>131,098</b>
<b>Total membership</b>	<b>296,665</b>	<b>23,736</b>	<b>320,401</b>

### Contributions

Contributions to UCRP are based upon rates determined by The Regents. The Regents' funding policy provides for contributions at rates to maintain UCRP on an actuarially sound basis. While the University's independent actuary annually determines the total funding policy contributions, the University is not required to contribute an amount equal to the total funding contribution. The actual contributions and contribution rates of the University and employees are based on numerous factors, including the availability of funds to the University, the impact of employee contributions on the competitiveness of the University's total remuneration package, and collective bargaining agreements.

The Regents determines the portion of the total contribution to be made by the employer and by the employees, and employee contribution rates for represented employees are subject to collective bargaining. Effective July 1, 2014, employee contribution rates range from 7.0 percent to 9.0 percent. The University pays a uniform contribution rate on behalf of all UCRP active members. The contribution rate was 14.0 percent for the year ended June 30, 2020 and 14.5 percent for the year ended June 30, 2021. UCLA contributions were \$372 million and \$1,187 million for 2021 and 2020, respectively.

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 possibly a lump sum equal to the present value of their accrued benefits.

### Net pension liability

All UCRP assets are available to pay any member's benefit. However, assets and liabilities for the campus and medical center segment of UCRP are internally tracked separately from the DOE national laboratory segments of UCRP. The net pension liability for UCRP was as follows:

<i>(in thousands of dollars)</i>	<b>UCLA CAMPUS AND MEDICAL CENTER*</b>	<b>CAMPUSES AND MEDICAL CENTERS TOTAL</b>	<b>DOE NATIONAL LABORATORIES</b>	<b>UNIVERSITY OF CALIFORNIA</b>
<b>At June 30, 2021</b>				
UCRP net position	\$18,343,505	\$80,873,774	\$10,876,024	\$91,749,798
Total pension liability	19,853,851	87,532,664	10,131,196	97,663,860
<b>Net pension liability (asset)</b>	<b>\$1,510,346</b>	<b>\$6,658,890</b>	<b>\$(744,828)</b>	<b>\$5,914,062</b>
<b>At June 30, 2020</b>				
UCRP net position	\$14,195,685	\$62,117,363	\$8,798,878	\$70,916,241
Total pension liability	18,854,239	82,502,226	10,123,159	92,625,385
<b>Net pension liability</b>	<b>\$4,658,554</b>	<b>\$20,384,863</b>	<b>\$1,324,281</b>	<b>\$21,709,144</b>

\*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

The net pension liability for UCRP was measured as of June 30 and was 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, one year prior to the measurement date. 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. 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 as of June 30, 2021 were based on the results of the most recent experience study covering the period of July 1, 2014 through June 30, 2018. The net pension liability for UCRP was calculated using the following methods and assumptions:

Inflation	2.50%
Investment rate of return	6.75
Projected salary increases	3.65 - 5.95
Cost-of-living adjustments	2.00

For preretirement mortality rates, the Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table was used. For postretirement, healthy mortality rates were based on the Pub-2010 Healthy Teacher Amount-Weighted Above-Median Mortality Table multiplied by 90 percent for male faculty members, 95 percent for female faculty members, 100 percent for other male members and 110 percent for other female members. For beneficiaries of retired members, rates were based on the Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table multiplied by 100 percent for males and 90 percent for females. For disabled members, rates were based on the Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table. All mortality tables above were projected generationally with the two-dimensional mortality improvement scale MP-2018.

The long-term expected investment rate of return assumption for UCRP was determined 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 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 deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
<b>Asset Class:</b>		
U.S. equity	27.6%	5.6%
Developed international equity	16.8	6.5
Emerging market equity	5.6	8.6
Core bonds	13.0	1.5
High yield bonds	2.5	3.7
Treasury Inflation-Protected Securities	2.0	1.2
Emerging market debt	2.5	3.9
Private equity	10.0	9.2
Real estate	7.0	6.6
Absolute return	10.0	3.3
Real assets	3.0	5.6
<b>Total</b>	<b>100.0%</b>	

### Discount rate

The discount rate used to estimate the net pension liability as of June 30, 2021 and 2020 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 payments for current members. For this purpose, University, state, and member contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected University 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, 2021 and 2020.

### Sensitivity of the net pension liability to the discount rate assumption

The following presents the June 30, 2021 net pension liability of the University calculated using the June 30, 2021 discount rate assumption of 6.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

	1% DECREASE (5.75%)	CURRENT DISCOUNT (6.75%)	1% INCREASE (7.75%)
<i>(in thousands of dollars)</i>			
UCRP	\$19,142,430	\$5,914,062	\$(4,967,453)
UCRP (UCLA campus portion, including medical center)*	4,510,758	1,510,346	(957,761)
UC-VERIP	(53,081)	(54,145)	(55,108)

\*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

**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:

<i>(in thousands of dollars)</i>	UCLA CAMPUS AND MEDICAL CENTER*	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC- VERIP	TOTAL
<b>At June 30, 2021</b>						
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Difference between expected and actual experience	\$125,228	\$537,863		\$537,863		\$537,863
Changes of assumptions or other inputs	630,308	2,707,225		2,707,225		2,707,225
<b>Total</b>	<b>\$755,536</b>	<b>\$3,245,088</b>		<b>\$3,245,088</b>		<b>\$3,245,088</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Difference between expected and actual experience	\$39,914	\$171,271		\$171,271		\$171,271
Net difference between projected and actual earnings on pension plan investment	2,241,679	9,619,164	\$1,336,207	10,955,371	\$9,247	10,964,618
<b>Total</b>	<b>\$2,281,593</b>	<b>\$9,790,435</b>	<b>\$1,336,207</b>	<b>\$11,126,642</b>	<b>\$9,247</b>	<b>\$11,135,889</b>

<i>(in thousands of dollars)</i>	UCLA CAMPUS AND MEDICAL CENTER*	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC- VERIP	TOTAL
<b>At June 30, 2020</b>						
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Difference between expected and actual experience	\$71,179	\$309,593		\$309,593		\$309,593
Changes of assumptions or other inputs	962,538	4,186,582		4,186,582		4,186,582
Net difference between projected and actual earnings on pension plan investment	480,041	2,087,946	\$295,167	2,383,113	\$1,997	2,385,110
<b>Total</b>	<b>\$1,513,758</b>	<b>\$6,584,121</b>	<b>\$295,167</b>	<b>\$6,879,288</b>	<b>\$1,997</b>	<b>\$6,881,285</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Difference between expected and actual experience	\$95,290	\$230,127		\$230,127		\$230,127
<b>Total</b>	<b>\$95,290</b>	<b>\$230,127</b>		<b>\$230,127</b>		<b>\$230,127</b>

\*Pro-rata estimate based on UCLA's respective percentage of covered payroll.



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

<i>(in thousands of dollars)</i>	UCLA CAMPUS AND MEDICAL CENTER*	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
2022	\$(143,174)	\$(614,081)	\$(309,627)	\$(923,708)	\$(2,147)	\$(925,855)
2023	(194,153)	(832,732)	(297,218)	(1,129,950)	(2,040)	(1,131,990)
2024	(528,611)	(2,267,245)	(319,766)	(2,587,011)	(2,212)	(2,589,223)
2025	(660,119)	(2,831,289)	(409,596)	(3,240,885)	(2,848)	(3,243,733)
<b>Total</b>	<b>\$(1,526,057)</b>	<b>\$(6,545,347)</b>	<b>\$(1,336,207)</b>	<b>\$(7,881,554)</b>	<b>\$(9,247)</b>	<b>\$(7,890,801)</b>

\*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

### Defined Contribution Plan (DC Plan)

Under the Retirement Choice Program, effective July 1, 2016, newly hired (or becoming eligible) employees can elect a defined contribution option (Savings Choice) instead of participating in UCRP. For employees who elect this option, both the University and the participants make mandatory contributions, on a pretax basis, on eligible pay up to the IRC compensation limit. The participant contributes 7.0 percent and the University contributes 8.0 percent. University contributions are fully vested after one year of service. For employees who elect to participate in UCRP (Pension Choice) and who are subject to the California Public Employees' Pension Reform Act (PEPRA) maximum, both the University and the participants make mandatory DC Plan retirement contributions on a pretax basis. For designated faculty, the University contributes 5.0 percent to the DC Plan on all eligible pay up to the IRC compensation limit. For staff, the University contributes 3.0 percent to the DC Plan on eligible pay above the PEPRA maximum up to the IRC compensation limit. Both designated faculty and staff contribute 7.0 percent on eligible pay above the PEPRA maximum up to the IRC compensation limit. The University may also contribute on behalf of eligible senior managers. After five years of service, Savings Choice participants are permitted to prospectively elect Pension Choice (Second Choice). The second choice window opens on January 1 following the completion of five years of service and closes on May 31 five years later. The Pension Choice election becomes effective on the next July 1. Employer contributions

to the DC Plan were \$93.8 million and \$76.3 million for the years ended June 30, 2021 and 2020, respectively.

The DC Plan Pretax Account also includes mandatory contributions from part-time, seasonal, and temporary employees at the University who are not currently participating in UCRP or another defined benefit plan to which the University contributes (Safe Harbor participants). Safe Harbor participation includes certain University student employees and resident aliens with F-1 and J-1 visa status. Safe Harbor participants contribute 7.5 percent of their gross salary (up to the Social Security wage base) to the DC Plan in lieu of deductions for Social Security taxes.

All University employees, except students who normally work fewer than 20 hours per week, are eligible to make voluntary contributions to the DC Plan After-Tax Account and defer taxation on the earnings until the accumulations are withdrawn. The maximum amount participants may contribute annually to the After-Tax Account is determined by the IRC §415(c) limit. The University may also make DC Plan contributions on behalf of eligible senior managers.

The Supplemental Defined Contribution Plan (SDC Plan) accepts employer contributions on behalf of certain designated employees. Employer contributions are fully vested, and there is no provision for employee contributions. There were no participants, assets, or employer contributions to the SDC Plan for the years ended June 30, 2021 and 2020.

**Tax Deferred 403(b) Plan**

The University's Tax-Deferred 403(b) Plan (403(b) Plan) accepts pretax employee contributions.

The University also makes 403(b) Plan retirement contributions on the summer or equivalent term salaries of eligible academic employees who teach, conduct research or provide administrative service during the summer session or an equivalent term. To be eligible, employees must hold academic year appointments and be active members of UCRP or another defined benefit plan to which the University contributes, be a Savings Choice participant, or be eligible for a primary retirement benefit option under the Retirement Choice Program even if not yet participating. The contribution rate is 7.0 percent of eligible salary, of which 3.5 percent is University-paid and 3.5 percent is employee-paid, both on a pretax basis. The University may also make contributions on behalf of eligible senior managers. UCLA employer contributions to the 403(b) Plan were \$1.82 million and \$1.83 million for the years ended June 30, 2021 and 2020, respectively.

**457(b) Deferred Compensation Plan**

The University's 457(b) Deferred Compensation Plan (457(b) Plan) accepts pretax employee contributions. There were no employer contributions to the 457(b) Plan for the years ended June 30, 2021 and 2020.

Participants in the DC Plan, the SDC Plan, the 403(b) Plan and the 457(b) Plan may direct their elective and nonelective contributions to investment funds managed by the Chief Investment Officer. They may also invest account balances in certain mutual funds. The participants' interests in mutual funds is shown separately in the Statement of Plans' Fiduciary Net Position.

**University of California Voluntary Early Retirement Incentive Program (UC-VERIP)**

UC-VERIP is a defined benefit pension plan providing lifetime supplemental retirement income and survivor benefits to UC-VERIP members who elected early retirement under CalPERS.

The University and the DOE laboratories previously made contributions to the UC-VERIP, sufficient to maintain the promised benefits. The actuarially determined contributions are zero for the years ending June 30, 2021 and 2020.

## 10. RETIREE HEALTH BENEFIT COSTS AND OBLIGATIONS

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 the University of California Retiree Health Benefit Program. The Regents has the authority to establish and amend the program. While retiree health benefits are not a legal obligation of the University and can be canceled or modified at any time, accounting standards require the University to recognize a net retiree health liability based on the current practices of providing retiree health benefits.

The University established the University of California Retiree Health Benefit Trust (UCRHBT or Trust) in order to allow certain University locations and affiliates (primarily campuses and medical centers) that share the risks, rewards, and costs of providing for retiree health benefits to fund such benefits on a cost-sharing basis and accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. Campus and medical center contributions toward retiree health benefits are made to the Trust at rates determined by the University. The University receives retiree health contributions from retirees that are deducted from their UCRP benefit payments or are received from the retiree through direct pay. The University acts as a third-party administrator on behalf of the Trust and pays health care insurers and administrators amounts currently due under the Retiree Health Benefit Program for retirees. The Trust reimburses the University for these amounts.

Condensed financial information for the changes in retiree health benefits liability for the year ended June 30, 2021 is as follows:

<i>(in thousands of dollars)</i>	<b>UCLA CAMPUS AND MEDICAL CENTER *</b>	<b>CAMPUSES AND MEDICAL CENTERS TOTAL</b>	<b>LBNL</b>	<b>UNIVERSITY OF CALIFORNIA</b>
Contributions	\$120,729	\$548,768	\$21,956	\$570,724
Investment income, net	46	208		208
<b>Total additions</b>	<b>120,775</b>	<b>548,976</b>	<b>21,956</b>	<b>570,932</b>
Insurance premiums, net	(116,557)	(529,804)	(21,956)	(551,760)
Other deductions	(961)	(4,369)		(4,369)
<b>Total deductions</b>	<b>(117,518)</b>	<b>(534,173)</b>	<b>\$(21,956)</b>	<b>(\$56,129)</b>
<b>Increase in net position held in UCRHBT</b>	<b>3,257</b>	<b>14,803</b>		<b>14,803</b>
Net position held in UCRHBT, beginning of year	35,335	156,818		156,818
<b>Net Position held in UCRHBT, end of year</b>	<b>\$38,592</b>	<b>\$171,621</b>		<b>\$171,621</b>

<i>(in thousands of dollars)</i>	UCLA CAMPUS AND MEDICAL CENTER *	CAMPUSES AND MEDICAL CENTERS TOTAL	LBNL	UNIVERSITY OF CALIFORNIA
<b>CHANGES IN TOTAL RETIREE HEALTH BENEFITS LIABILITY</b>				
Service Cost	\$279,434	\$1,270,153	\$25,993	\$1,296,146
Interest	118,401	538,187	15,982	554,169
Difference between expected and actual experience	(38,593)	(493,529)	(28,118)	(521,647)
Changes of assumptions and other inputs	45,479	206,722	6,115	212,837
Benefits paid	(116,557)	(529,804)	(21,956)	(551,760)
Retiree contributions	18,834	85,607	3,018	88,625
<b>Net change in total retiree health benefits liability</b>	<b>306,998</b>	<b>1,077,336</b>	<b>1,034</b>	<b>1,078,370</b>
<b>Total retiree health benefits liability</b>				
Beginning of year	5,222,877	23,303,096	706,594	24,009,690
<b>End of year</b>	<b>5,529,875</b>	<b>24,380,432</b>	<b>707,628</b>	<b>25,088,060</b>
<b>Net retiree health benefit liability, end of year</b>	<b>\$5,491,283</b>	<b>\$24,208,811</b>	<b>\$707,628</b>	<b>\$24,916,439</b>

\*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

## Benefits

Retirees are eligible for medical and dental benefits. The costs of the medical and dental benefits are shared between the University and the retiree. The University does not contribute toward the cost of other benefits available to retirees. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least 5 years of service. Retirees employed by the University after 1989 and prior to July 1, 2013 become eligible for a percentage of the University's contribution starting at 50 percent of the maximum University contribution with 10 years of service or if age plus years of service equal at least 75 and increasing to 100 percent after 20 years of service. 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 of service. Retirees are eligible for the maximum University

contribution at age 65 with 20 or more years of service. Retirees pay the excess, if any, of the premium over the applicable portion of the University's contribution.

Membership in a defined benefit plan to which the University contributes or participation in the DC Plan as a result of a Savings Choice election is required to become eligible for retiree health benefits. Participation in the Retiree Health Benefit Program plans consisted of the following at June 30, 2021:

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	46,751	1,847	48,598
Active members	139,975	2,425	142,400
<b>Total membership</b>	<b>186,726</b>	<b>4,272</b>	<b>190,998</b>

### Contributions

The University does not pre-fund retiree health benefits and instead provides for benefits based upon projected pay-as-you-go financing. University and retiree contributions toward premiums made under purchased plan arrangements are determined by applying the health plan contract rates across the number of participants in the respective plans. Premium rates for the self-insured plan contributions are set by the University based upon a trend analysis of the historic cost, utilization, demographics, and administrative expenses to provide for the claims incurred and the actuarially determined level of incurred but not reported liability. The assessment rates were \$2.58 and \$2.60 per \$100 of UCRP covered payroll effective July 1, 2020 and 2019, 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.

### Net retiree health benefits liability

The University’s net retiree health benefits liability was measured as of June 30 based on rolling forward the results of the actuarial valuations as of July 1, one year prior to the measurement date. 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 University’s net retiree health benefits liability were:

<i>(shown as percentages)</i>	<b>2021</b>	<b>2020</b>
Discount rate	2.16%	2.21%
Inflation	2.5	2.5
Investment rate of return	2.5	2.5
Projected salary increases	3.65 - 5.95	3.65 - 5.95
Health care cost trend rates	Initially ranges from 2.7 to 7.5 decreasing to an ultimate rate of 4.0 for 2075 and later years.	Initially ranges from 2.7 to 9.0 decreasing to an ultimate rate of 4.0 for 2076 and later years.

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 as of June 30, 2021 and 2020 were based upon the results of the most recent experience study covering the period of July 1, 2014 through June 30, 2018. For preretirement mortality rates, the Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table were used. For postretirement, healthy mortality rates were based on the Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table and multiplied by 90 percent for faculty members or 115 percent and 110 percent for other male and female members, respectively. For beneficiaries of retired members, rates were based on the Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table. For disabled members, rates were based on the Pub-2010 Non-Safety Disabled Retiree-Headcount Weighted Mortality Table. All mortality rates are projected generationally with the two-dimensional mortality improvement scale MP-2018.



### Sensitivity of net retiree health benefits liability to the health care cost trend rate

The following presents the June 30, 2021 net retiree health benefits liability of the University calculated using the June 30, 2021 health care cost trend rate assumption with initial trend ranging from 2.7 percent to 7.5 percent grading down to an ultimate trend of 4.0 percent over 54 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:

	<b>1% DECREASE (1.7% to 6.5%) DECREASING TO (3.0%)</b>	<b>CURRENT TREND (2.7% to 7.5%) DECREASING TO (4.0%)</b>	<b>1% INCREASE (3.7% to 8.5%) DECREASING TO (5.0%)</b>
<i>(in thousands of dollars)</i>			
Net retiree health benefit liability: University of California	\$20,266,385	\$24,916,439	\$31,167,998
Net retiree health benefit liability: UCLA Campus and Medical Center	4,458,605	5,491,283	6,856,960

### Discount rate

The discount rate used to estimate the net retiree health benefits liability as of June 30, 2021 and 2020 was 2.16 percent and 2.21 percent, respectively. The discount rate was based on the Bond Buyer 20-year tax-exempt general obligations municipal bond index rate since UCHRBT assets are not sufficient to make benefit payments.

### Sensitivity of net retiree health benefits liability to the discount rate assumption

The following presents the June 30, 2021 net retiree health benefits liability of the University calculated using the June 30, 2021 discount rate assumption of 2.16 percent, as well as what the net retiree health benefits liability would be if it were calculated using a discount rate different than the current assumption:

	<b>1% DECREASE (1.16%)</b>	<b>CURRENT DISCOUNT (2.16%)</b>	<b>1% INCREASE (3.16%)</b>
<i>(in thousands of dollars)</i>			
Net retiree health benefit liability: University of California	\$30,097,550	\$24,916,439	\$20,869,880
Net retiree health benefit liability: UCLA Campus and Medical Center	6,621,461	5,491,283	4,591,374

**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:

**2021**

(in thousands of dollars)

	UCLA CAMPUS AND MEDICAL CENTER	CAMPUSES AND MEDICAL CENTERS TOTAL	LBNL	UNIVERSITY OF CALIFORNIA
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Difference between expected and actual experience	\$9,990	\$44,044	\$1,316	\$45,360
Changes of assumptions or other inputs	1,405,629	5,776,630	125,137	5,901,767
Net difference between projected and actual earnings on plan investments	1,116	4,916		4,916
<b>Total</b>	<b>\$1,416,735</b>	<b>\$5,825,590</b>	<b>\$126,453</b>	<b>\$5,952,043</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Difference between expected and actual experience	\$808,185	\$3,562,951	\$103,739	\$3,666,690
Changes of assumptions or other inputs	588,777	1,895,484	26,570	1,922,054
<b>Total</b>	<b>\$1,396,962</b>	<b>\$5,458,435</b>	<b>\$130,309</b>	<b>\$5,588,744</b>

**2020**

(in thousands of dollars)

	UCLA CAMPUS AND MEDICAL CENTER	CAMPUSES AND MEDICAL CENTERS TOTAL	LBNL	UNIVERSITY OF CALIFORNIA
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Difference between expected and actual experience	\$12,167	\$54,286	\$2,258	\$56,544
Changes of assumptions or other inputs	1,570,988	6,779,937	173,090	6,953,027
Net difference between projected and actual earnings on plan investments	705	3,148		3,148
<b>Total</b>	<b>\$1,583,860</b>	<b>\$6,837,371</b>	<b>\$175,348</b>	<b>\$7,012,719</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Difference between expected and actual experience	\$848,376	\$3,785,361	\$114,261	\$3,899,622
Changes of assumptions or other inputs	715,065	2,337,297	45,508	2,382,805
<b>Total</b>	<b>\$1,563,441</b>	<b>\$6,122,658</b>	<b>\$159,769</b>	<b>\$6,282,427</b>

The net amount of deferred outflows of resources and deferred inflows of resources as of June 30, 2021 related to retiree health benefits that will be recognized in retiree health benefit expense during the next five years and thereafter are as follows:

<i>(in thousands of dollars)</i>	<b>UCLA CAMPUS AND MEDICAL CENTER</b>	<b>CAMPUSES AND MEDICAL CENTERS TOTAL</b>	<b>LBNL</b>	<b>UNIVERSITY OF CALIFORNIA</b>
2022	\$(894)	\$64,229	\$(7,429)	\$56,800
2023	(984)	63,844	(4,357)	59,487
2024	(27,835)	(54,527)	6,540	(47,987)
2025	(65,074)	(229,140)	4,423	(224,717)
2026	14,608	126,560	(3,033)	123,527
Thereafter	99,952	396,189		396,189
<b>Total</b>	<b>\$19,773</b>	<b>\$367,155</b>	<b>\$(3,856)</b>	<b>\$363,299</b>

## 11. ENDOWMENTS AND GIFTS

The value of endowments and gifts held and administered by the University or by UCLA's foundations, exclusive of income distributed to be used for operating purposes, at June 30, 2021 and 2020, are as follows:

	UCLA		FOUNDATIONS	
	2021	2020	2021	2020
<i>(in thousands of dollars)</i>				
<b>Restricted</b>				
Endowments	\$329,877	\$318,261	\$1,604,267	\$1,466,077
Annuity and life income	1,019	1,206		
<b>Nonexpendable</b>	<b>330,896</b>	<b>319,467</b>	<b>1,604,267</b>	<b>1,466,077</b>
Endowments	884,959	618,789	741,483	271,124
Funds functioning as endowments	928,991	706,969	816,227	622,783
Annuity and life income	614	641		
Gifts	472,100	376,989	671,974	673,442
<b>Expendable</b>	<b>2,286,664</b>	<b>1,703,388</b>	<b>2,229,684</b>	<b>1,567,349</b>
<b>Total restricted</b>	<b>2,617,560</b>	<b>2,022,855</b>	<b>3,833,951</b>	<b>3,033,426</b>
<b>Unrestricted</b>				
Endowments	3,038	2,184		
Funds functioning as endowments	1,401,739	1,028,170		
Gifts	682	670	770,624	609,898
<b>Total unrestricted</b>	<b>1,405,459</b>	<b>1,031,024</b>	<b>770,624</b>	<b>609,898</b>
<b>Total</b>	<b>\$4,023,019</b>	<b>\$3,053,879</b>	<b>\$4,604,575</b>	<b>\$3,643,324</b>

### University endowments

The University'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 the maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution provided by dividend and interest income and by capital gains may vary significantly from year to year. The University's policy is to retain the realized and unrealized appreciation with the endowment after the annual income distribution has been made. UCLA's net appreciation available to meet future spending needs is subject to the approval of The Regents and amounted to \$2.2 billion and \$1.5 billion at June 30, 2021 and 2020, respectively.

The portion of investment returns earned on endowments held by the University and distributed at the end of each year to support current operations for the following year is based upon a rate that is approved by The Regents. The annual income distribution transferred to UCLA from endowments held by the University was \$65.2 million and \$59.2 million for years ended June 30, 2021 and 2020, respectively. The portion of this annual income distribution from accumulated capital gains, in addition to the dividend and interest income earned during the year, was \$66.3 million and \$62.9 million for the years ended June 30, 2021 and 2020, respectively. Accumulated endowment income available for spending in the future, including the annual income distribution, was \$106.1 million and \$97.8 million at June 30, 2021 and 2020, respectively.

### UCLA foundations

During the years ended June 30, 2021 and 2020, gifts of \$296 million (\$93 million from endowment investments and \$203 million from current funds) and \$283 million (\$85 million from endowment investments and \$198 million from current funds), respectively, were transferred to UCLA from the foundations.

## 12. OPERATING EXPENSES BY FUNCTION

Operating expenses, by functional classification, for the years ended June 30, 2021 and 2020, are as follows:

<i>(in thousands of dollars)</i>	<b>2021</b>	<b>2020</b>
Instruction	\$2,850,887	\$3,033,305
Research	963,283	961,875
Public service	189,153	195,716
Academic support	1,010,947	1,054,863
Student services	167,690	225,328
Institutional support	267,546	275,978
Operations and maintenance of plant	110,305	125,709
Student financial aid	186,862	196,917
Medical center	2,711,768	2,776,350
Auxiliary enterprises	312,795	421,143
Depreciation and amortization	415,533	415,889
Impairment of capital assets	2,716	3,550
Other	22,711	23,600
<b>Total</b>	<b>\$9,212,196</b>	<b>\$9,710,223</b>



### 13. SEGMENT INFORMATION - MEDICAL CENTER

The University's medical centers' revenues are pledged in support of the outstanding University of California Medical Center Pooled Revenue Bonds. The medical centers' operating revenues and expenses consist primarily of revenues associated with patient care and the related costs of providing that care.

Condensed financial statement information for the UCLA Medical Center for the years ended June 30, 2021 and June 30, 2020 is as follows:

<i>(in thousands of dollars)</i>	<b>2021</b>	<b>2020</b>
Revenue bonds outstanding	\$1,132,133	\$1,147,213
Related debt service payments	62,266	46,127
Bonds due serially through	2120	2120
<b>CONDENSED STATEMENT OF NET POSITION</b>		
Current assets	2,675,994	2,380,916
Capital assets, net	1,684,930	1,623,613
Other assets	504,049	599,181
<b>Total assets</b>	<b>4,864,973</b>	<b>4,603,710</b>
<b>Total deferred outflows of resources</b>	<b>797,814</b>	<b>1,102,277</b>
Current liabilities	845,452	789,137
Long-term debt	1,290,848	1,312,029
Other noncurrent liabilities	2,641,224	3,514,655
<b>Total liabilities</b>	<b>4,777,524</b>	<b>5,615,821</b>
<b>Total deferred inflows of resources</b>	<b>1,198,340</b>	<b>576,245</b>
Net investment in capital assets	698,531	736,002
Restricted	25,745	24,384
Unrestricted	(1,037,353)	(1,246,465)
<b>Total net position</b>	<b>\$(313,077)</b>	<b>\$(486,079)</b>

(in thousands of dollars)

	2021	2020
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>		
Operating revenues	\$3,175,129	\$3,008,242
Operating expenses	(2,721,575)	(2,824,803)
Depreciation expense	(100,786)	(148,411)
<b>Operating income</b>	<b>352,768</b>	<b>35,028</b>
Nonoperating revenues, net	60,972	90,553
<b>Income before other changes in net position</b>	<b>\$413,740</b>	<b>\$125,581</b>
Health systems support	(260,127)	(282,396)
Changes in allocation for pension payable to University	17,852	18,180
Other, including donated assets	1,537	5,241
<b>Increase (decrease) in net position</b>	<b>173,002</b>	<b>(133,394)</b>
Net position - beginning of year	(486,079)	(352,685)
<b>Net position - end of year</b>	<b>\$ (313,077)</b>	<b>\$ (486,079)</b>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>		
Net cash provided (used) by:		
Operating activities	\$454,420	\$776,774
Noncapital financing activities	(252,731)	(179,422)
Capital and related financing activities	(239,718)	313,628
Investing activities	148,283	(429,559)
<b>Net increase in cash and cash equivalents</b>	<b>110,254</b>	<b>481,421</b>
Cash and cash equivalents* - beginning of year	1,596,270	1,114,849
<b>Cash and cash equivalents* - end of year</b>	<b>\$1,706,524</b>	<b>\$1,596,270</b>

\*Cash and cash equivalents on the medical centers' financial statements are included in the University's Short Term Investment Pool.

Summarized financial information for UCLA Medical Center is from the collective University of California medical centers' audited financial statements. Certain revenue, such as financial support from the state for clinical teaching programs, is classified as state educational appropriations rather than medical center revenue in UCLA's Statement of Revenues, Expenses, and Changes in Net Position. However, in the medical centers' audited financial statements and for segment reporting purposes, these revenues are classified as operating revenue. Additional information on the individual

University of California medical centers can be obtained from their audited financial statements, which are available at <http://reportingtransparency.universityofcalifornia.edu>.

Certain revenue generating projects (including student and faculty housing, parking facilities, student centers, recreation and events facilities, student health facilities, and athletics facilities) are also financed by Limited Project Revenue Bonds; however, assets and liabilities are not required to be accounted for separately.

#### 14. CAMPUS FOUNDATIONS INFORMATION

Under University policies approved by The Regents, each individual campus may establish separate foundations to provide valuable assistance in fundraising, public outreach, and other support for the missions of the campus and the University. Although independent boards govern these foundations, their assets are dedicated for the benefit of the University of California.

The UCLA Foundation was established in 1945 to raise funds to benefit UCLA. In addition, the Jonsson Cancer Center Foundation/UCLA (JCCF) was established in 1956 with the

primary purpose to raise funds for cancer research at UCLA. These two foundations are component units of UCLA. The combined financial statements of these two foundations are presented discretely in a separate column on UCLA's financial statements because of their nature and significance of their relationship with the campus.

Condensed financial statement information related to UCLA's foundations, including their allocated share of the assets and liabilities associated with securities lending transactions in the University's investment pools, for the years ended June 30, 2021 and 2020 is as follows:

	UCLA FOUNDATIONS		
	UCLA FOUNDATION	JONSSON CANCER CENTER FOUNDATION	TOTAL
<i>(in thousands of dollars)</i>			
Year Ended June 30, 2021			
<b>CONDENSED STATEMENT OF NET POSITION</b>			
Current assets	\$612,254	\$14,104	\$626,358
Noncurrent assets	4,081,331	15,230	4,096,561
<b>Total assets</b>	<b>4,693,585</b>	<b>29,334</b>	<b>4,722,919</b>
Current liabilities	25,579	811	26,390
Noncurrent liabilities	35,182		35,182
<b>Total liabilities</b>	<b>60,761</b>	<b>811</b>	<b>61,572</b>
<b>Total deferred inflow of resources</b>	<b>56,474</b>	<b>298</b>	<b>56,772</b>
Restricted	3,817,358	16,593	3,833,951
Unrestricted	758,992	11,632	770,624
<b>Total net position</b>	<b>\$4,576,350</b>	<b>\$28,225</b>	<b>\$4,604,575</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>			
Operating revenues	\$287,749	\$12,945	\$300,694
Operating expenses	(366,422)	(13,766)	(380,188)
<b>Operating loss</b>	<b>(78,673)</b>	<b>(821)</b>	<b>(79,494)</b>
Nonoperating revenues	921,616	2,762	924,378
<b>Income before other changes in net position</b>	<b>842,943</b>	<b>1,941</b>	<b>844,884</b>
Permanent endowments	116,367		116,367
<b>Increase in net position</b>	<b>959,310</b>	<b>1,941</b>	<b>961,251</b>
Net position - beginning of year	3,617,040	26,284	3,643,324
<b>Net position - end of year</b>	<b>\$4,576,350</b>	<b>\$28,225</b>	<b>\$4,604,575</b>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>			
Net cash provided (used) by:			
Operating activities	\$(80,845)	\$(1,381)	\$(82,226)
Noncapital financing activities	104,112		104,112
Investing activities	(23,982)	1,560	(22,422)
<b>Net increase (decrease) in cash and equivalents</b>	<b>(715)</b>	<b>179</b>	<b>(536)</b>
Cash and cash equivalents - beginning of year	7,989	154	8,143
<b>Cash and cash equivalents - end of year</b>	<b>\$7,274</b>	<b>\$333</b>	<b>\$7,607</b>

	UCLA FOUNDATIONS		
	UCLA FOUNDATION	JONSSON CANCER CENTER FOUNDATION	TOTAL
<i>(in thousands of dollars)</i>			
Year Ended June 30, 2020			
<b>CONDENSED STATEMENT OF NET POSITION</b>			
Current assets	\$649,143	\$12,951	\$662,094
Noncurrent assets	3,080,188	13,660	3,093,848
<b>Total assets</b>	<b>3,729,331</b>	<b>26,611</b>	<b>3,755,942</b>
Current liabilities	31,963	71	32,034
Noncurrent liabilities	32,975		32,975
<b>Total liabilities</b>	<b>64,938</b>	<b>71</b>	<b>65,009</b>
<b>Total deferred inflow of resources</b>	<b>47,353</b>	<b>256</b>	<b>47,609</b>
Restricted	3,017,767	15,659	3,033,426
Unrestricted	599,273	10,625	609,898
<b>Total net position</b>	<b>\$3,617,040</b>	<b>\$26,284</b>	<b>\$3,643,324</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>			
Operating revenues	\$404,498	\$9,299	\$413,797
Operating expenses	(337,247)	(11,572)	(348,819)
<b>Operating income (loss)</b>	<b>67,251</b>	<b>(2,273)</b>	<b>64,978</b>
Nonoperating revenues	21,206	406	21,612
<b>Income (loss) before other changes in net position</b>	<b>88,457</b>	<b>(1,867)</b>	<b>86,590</b>
Permanent endowments	144,525		144,525
<b>Increase (decrease) in net position</b>	<b>232,982</b>	<b>(1,867)</b>	<b>231,115</b>
Net position - beginning of year	3,384,058	28,151	3,412,209
<b>Net position - end of year</b>	<b>\$3,617,040</b>	<b>\$26,284</b>	<b>\$3,643,324</b>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>			
Net cash provided (used) by:			
Operating activities	\$23,574	147	\$23,721
Noncapital financing activities	103,564		103,564
Investing activities	(128,367)	(73)	(128,440)
<b>Net increase (decrease) in cash and equivalents</b>	<b>(1,229)</b>	<b>74</b>	<b>(1,155)</b>
Cash and cash equivalents – beginning of year	9,218	80	9,298
<b>Cash and cash equivalents - end of year</b>	<b>\$7,989</b>	<b>\$154</b>	<b>\$8,143</b>

Additional information on the foundations can be found in the foundations' separately issued annual reports, which can be obtained at: <https://www.uclafoundation.org> and [www.cancer.ucla.edu](http://www.cancer.ucla.edu).

## 15. COMMITMENTS AND CONTINGENCIES

### Contractual commitments

Amounts committed but unexpended for construction projects totaled \$428.8 million at June 30, 2021.

UCLA leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2021 and 2020 were \$94 million and \$79 million, respectively. The terms of operating leases extend through February 2042.

Future minimum payments on operating leases with initial or remaining non-cancelable terms in excess of one year are as follows:

(in thousands of dollars)

#### Year Ending June 30

2022	\$86,454
2023	71,158
2024	58,161
2025	44,026
2026	27,958
2027-2031	56,555
2032-2036	2,807
2037-2041	1,230
2042	184
<b>Total</b>	<b>\$348,533</b>

### Contingencies

Substantial amounts are received and expended by UCLA, including the UCLA Medical Center, under federal and state programs, and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, medical center operations, and other programs. UCLA management believes that any liabilities arising from such audits will not have a material effect on UCLA's financial position.

UCLA and the foundations are contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, UCLA management and campus counsel are of the opinion that the outcome of such matters will not have a material effect on UCLA's financial position.

## 16. RISKS AND UNCERTAINTIES

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally resulting in business closures, work stoppages, slowdowns and delays, work-from-home policies, travel restrictions and cancellations of events. While there has been and will continue to be material financial impacts to the university due to COVID-19 that affect financial results for 2022 and potentially beyond, we believe we have sufficient liquidity to meet our operating and financial needs. However, given the difficulty in predicting the duration and severity of the coronavirus on the University, the economy and the financial market, the ultimate impact may be material.

### Required Supplementary Information

The required supplementary information can be obtained from the 2020-21 annual report of the University of California Retirement System, which can be obtained at:  
<http://reportingtransparency.universityofcalifornia.edu>.



For more information, contact Financial Management  
and Reporting at [FinMgmtRptg@finance.ucla.edu](mailto:FinMgmtRptg@finance.ucla.edu)

Art Direction and Design, RENT CONTROL CREATIVE





**The UCLA 2020-2021  
Annual Financial Report**

[www.finance.ucla.edu](http://www.finance.ucla.edu)



2020-2021

UCLA ANNUAL FINANCIAL REPORT