

UCLA

ANNUAL FINANCIAL REPORT

2019–2020







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LETTER FROM THE CHANCELLOR

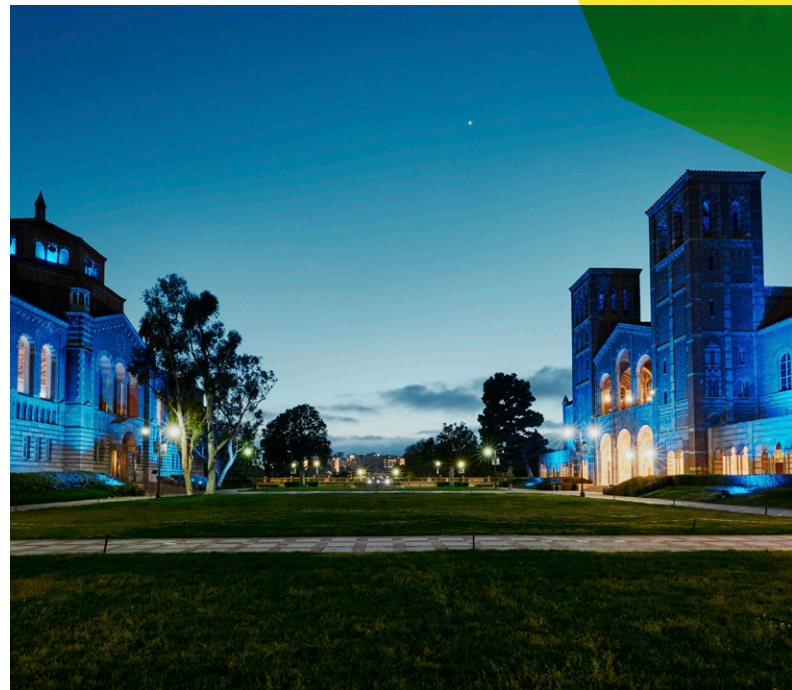


This has been a year unlike any other at UCLA. Our entire campus community was tested in our professional and personal lives by the onset of the COVID-19 pandemic, when — seemingly overnight — we took on the massive task of transitioning to remote learning, teaching, working and connecting. Many of us grappled with significant changes in our personal lives as well, such as taking on unexpected child care or elder care responsibilities. Yet throughout the year, we found strength and inspiration in the resilience and dedication of UCLA students, staff and faculty members, alumni, volunteers and supporters. Just as we have seen across UCLA's 101-year history, Bruins faced adversity and persevered through determination, creativity and compassion for one another.

As a public research university, UCLA is both positioned and compelled to help address major societal challenges, so tackling the pandemic was a natural fit. We saw numerous examples of collaboration and innovation across campus to identify treatments, enhance testing, prevent transmission and learn more about the virus. Among the highlights:

- UCLA Health was one of the first academic health systems in the country to develop in-house COVID-19 testing and our scientists pioneered a faster and cheaper testing technology. UCLA Health also participated in two COVID-19 vaccine clinical trials.
- Bioengineers from the UCLA School of Dentistry and UCLA Samueli School of Engineering used 3D printers to create reusable, durable face shields for our frontline workers and shared the design on the National Institutes of Health's 3D Print Exchange.
- Faculty and staff from the UCLA Fielding School of Public Health and UCLA Extension joined a statewide initiative to train thousands of Californians in public health techniques and contact tracing strategies.
- A machine-learning model developed at the UCLA Samueli School of Engineering helped the Centers for Disease Control and Prevention predict the spread of COVID-19.
- UCLA's Depression Grand Challenge partnered with Beyoncé's BeyGOOD initiative and Jack Dorsey's Start Small fund to offer resources, tips and tools for managing the mental pressures we all face during this pandemic.
- And we lit campus blue (pictured to the right) to thank our tireless health care workers who are saving lives on the front lines.

The generosity of our greater community was also on display through an outpouring of support from businesses, nonprofit organizations and individuals who donated personal protective equipment, ventilators and other supplies; provided meals to our health care workers; and funded critical research.



Aside from the tremendous human toll of the pandemic, its financial impact on UCLA is sobering, and recovery will take time. Looking at both increased costs and lost revenue, the pandemic had a financial impact on UCLA of about \$725 million as of December 2020. We pursued financial relief available to hospitals via federal legislation and received funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act for student support and to preserve jobs to maintain our teaching mission. We instituted several cost-saving measures like implementing budget reductions, reducing hiring, offering a Voluntary Separation Program for eligible staff and creating an employee reassignment program, which have allowed us to commit to no pandemic-related layoffs of career employees through at least the end of the 2020–21 fiscal year. Still, the financial impact of the pandemic is significant, and its

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● Gene D. Block

effects on our auxiliaries like housing and dining or hosting conferences — coupled with the likely prospect of years of diminished state allocations to UC — will be especially difficult for our institution.

This summer, we also experienced a historic time of national reflection, demonstrations and activism amid jarring acts of violence against Black people in the United States. At UCLA, we recommitted ourselves to ensuring that our policies and actions serve the safety and dignity of every Bruin. We listened to faculty, students, staff, alumni and community members and announced steps UCLA can take to advance equity, diversity and inclusion throughout campus. Among these actions include funding a Black Student Resource Center; adding faculty, postdocs and graduate fellows who address issues of Black life and racial equity in their work; and creating a Civil Rights Office. We will continue to find ways to make UCLA a welcoming environment where all Bruins can succeed.

We were fortunate to be able to take pride in some other good news despite this challenging time. Professor Andrea Ghez won the Nobel Prize in Physics for her pioneering discovery of a supermassive black hole at the center of the Milky Way galaxy, a momentous occasion for our campus. UCLA broke its record in research funding in 2019–20 with \$1.4 billion awarded in grants and contracts. And UCLA was again named the No. 1 public university in the nation and UCLA Health hospitals were named No. 1 in both Los Angeles and California and No. 4 in the nation by U.S. News & World Report.

Additionally, just before the pandemic began, we closed out a year of global centennial celebrations with the announcement of \$5.49 billion raised in support for our public mission through the Centennial Campaign for UCLA. One of our closing events was a specially themed CicLAvia (pictured below), in which thousands of Los Angeles residents gathered in downtown Los Angeles to walk, bike, skate and celebrate UCLA’s impact on our city and our greater region.



Finally, we welcomed several outstanding administrators to our leadership team:

Anna Spain Bradley is our new vice chancellor for equity, diversity and inclusion, a critical role as we continue to expand our commitments in these areas. She returns to UCLA from the University of Colorado Boulder, where she was assistant vice provost for faculty development and diversity, and professor of law. Previously, she was deputy director of the UCLA Burkle Center for International Relations and lecturer at the UCLA School of Law.

Ronald S. Brookmeyer, a member of our faculty since 2010, is now dean of the UCLA Fielding School of Public Health. He is professor of biostatistics and served as chair of our COVID-19 Future Planning Task Force. He is recognized for his scholarship that uses the tools of the statistical, informational and mathematical sciences to address major global public health challenges.

Eric Bullard joined us as dean of Continuing Education and UCLA Extension. He most recently served as the associate vice president of international programs and global engagement and dean of the College of Professional and Global Education at California State University, Los Angeles.

Adriana Galván is now dean of undergraduate education. A member of the UCLA faculty since 2008, she is professor of psychology, holds the Wendell Jeffrey and Bernice Wenzel Term Chair in Behavioral Neuroscience and is the director of the Developmental Neuroscience Lab at UCLA.

Martin Jarmond is our new Alice and Nahum Lainer Family Director of Athletics. A principled, proven leader, he served as director of athletics at Boston College, deputy director of athletics at Ohio State and assistant athletic director for development at Michigan State. I know the Bruins are in good hands with his deep commitment to the success of our student-athletes in their sports and academics.

Tracy Johnson, a member of our faculty since 2013, is now dean of the Division of Life Sciences within the UCLA College. As a professor of molecular, cell and developmental biology, not only does she have an impressive scholarly

background, but she has also taken on numerous leadership roles on campus to promote innovation and diversity in education, particularly in STEM fields.

And David Schaberg, who has served as dean of the College's Division of Humanities since 2012 and a member of the UCLA faculty since 1996, was named senior dean of the College, responsible for coordinating school-wide planning, budgeting, policies and more.

Throughout this challenging year, we have learned a great deal about our institution and our people. As we look to the year ahead, I remain optimistic because the mission of UCLA is more critical than ever. The pandemic, while painful, has illuminated some of the ways in which we may be able to serve that mission better: We could explore more of our workforce working fully or partially from home after the pandemic to reduce costs, commute times and air pollutants. We could expand the number of students we serve by offering more hybrid or remote instruction. We could continue lifelong learning opportunities for alumni.

No matter what the future holds, we WILL continue delivering world-class education, discovering breakthroughs for the benefit of humanity and serving our region and the global community.

I want to express my deep gratitude to everyone in our Bruin family who has remained committed to our important mission of education, research and service and to one another. Your fortitude has been a source of pride, hope and light. UCLA's work continues because of its people.

Fiat lux!

Sincerely,



Gene D. Block
Chancellor



CAMPUS AND FINANCIAL HIGHLIGHTS



CAMPUS AND FINANCIAL HIGHLIGHTS*Years ended, 2020 and 2019 (in millions of dollars)*

	2020	2019
CAMPUS LAND AREA	419 acres	419 acres
ENROLLMENT - FALL QUARTER		
Undergraduates	31,543	31,577
Graduates, and Interns and Residents	14,199	14,353
EMPLOYEE COUNT		
Full-Time Equivalent	38,588	37,176
NET POSITION		
Beginning of Year	\$107	\$315
End of Year	\$(1,131)	\$107
ASSETS:		
Total Current Assets	\$2,687	\$2,185
Total Noncurrent Assets and Deferred Outflows	\$15,137	\$14,220
	\$17,824	\$16,405
LIABILITIES:		
Total Current Liabilities	\$2,174	\$1,467
Total Noncurrent Liabilities and Deferred Inflows	\$16,781	\$14,831
	\$18,955	\$16,298
REVENUE:		
Operating Revenue	\$7,735	\$7,449
Nonoperating Revenue (Core Activities)	\$1,252	\$1,096
	\$8,987	\$8,545
Principal Sources of Operating Revenue:		
Student Tuition and Fees	\$916	\$929
Grants and Contracts	\$1,080	\$1,049
Sales and Services	\$5,503	\$5,228
Principal Sources of Nonoperating Revenue:		
State Educational Appropriations	\$536	\$493
EXPENDITURES:		
Operating Expense	\$9,776	\$8,871
Nonoperating Expense (Core Activities)	\$209	\$143
	\$9,985	\$9,014
Principal Operating Expenditures:		
Salaries and Wages	\$4,281	\$3,970
Benefits	\$2,424	\$2,042
Supplies and Materials	\$1,100	\$1,058

MANAGEMENT'S DISCUSSION AND ANALYSIS



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, 2020, with selected comparative information for the years ended June 30, 2019 and 2018. 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 (2018, 2019, 2020, 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 and 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.

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 \$40.3 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 \$9.2 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 45,700 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

Graduate 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 2019-20 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 226,000 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 6,700 research projects are being conducted on campus at any given time. For 2020, UCLA expenditures for research were approximately \$972 million. UCLA was named the number one public university by U.S. News & World Report and the Times Higher Education/Wall Street Journal ranking.

UCLA Extension offers the public over 5,330 continuing education courses annually, covering professional and career development, academic enrichment, and personal growth. It attracts almost 38,000 individual students from the communities of Southern California and worldwide.

UCLA employed over 50,900 faculty, administrators and staff (including casual and student employees), filling approximately 38,600 full-time-equivalent positions, and spent \$6.7 billion in compensation costs for the fiscal year ended June 30, 2020. 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), one for physics (1965), 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 2020, UCLA's on-campus physical plant included 6 on-campus buildings under construction, along with 219 existing buildings. Off campus, UCLA owns or manages 161 buildings and has 192 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. According to U.S. News and World Report's America's Best Hospital Honor Roll, UCLA Health ranks as one of the top four hospitals in the nation and is placed No. 1 in both Los Angeles and California. It is nationally ranked in 15 adult and 7 pediatric specialties and rated high performing in 10 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:

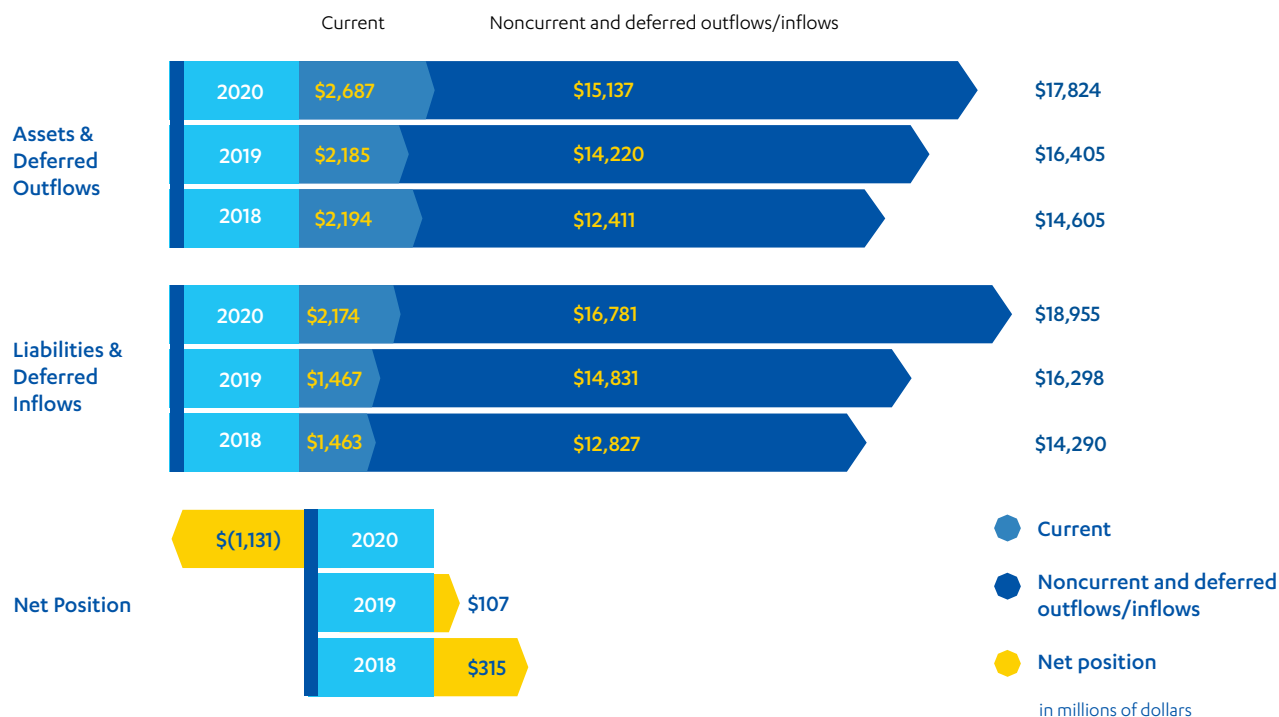
			Increase / (Decrease)	
	2020	2019	Amount	%
Operating Statistics				
Licensed beds	800	800		
Admissions	36,402	40,265	(3,863)	(9.6)%
Average daily census	686	730	(44)	(6.0)%
Discharges	36,429	40,233	(3,804)	(9.5)%
Average length of stay	6.90	6.60	0.30	4.5%
Patient days	250,939	266,559	(15,620)	(5.9)%
Case mix index	2.21	2.09	0.12	5.7%
Outpatient visits	727,374	796,929	(69,555)	(8.7)%
Outpatient Visits				
Hospitals and clinics	653,916	715,105	(61,189)	(8.6)%
Emergency visits	73,458	81,824	(8,366)	(10.2)%
Total	727,374	796,929	(69,555)	(8.7)%

An overview – The following table reflects the composition of UCLA for 2020, 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
Organizations	Fall Enrollment		Employees	Operating Expenses			
College of Letters and Science	25,528	2,814	3,751	\$385	\$220	\$109	\$714
School of Dentistry		472	374	42	22	25	89
School of Education & Information Studies		745	341	35	21	20	76
School of Engineering & Applied Science	3,934	2,186	919	99	61	39	199
School of Law		1,190	313	46	26	32	104
School of Management		2,224	443	69	39	50	158
School of Medicine		2,265	9,029	1,320	637	765	2,722
School of Music	321	143	151	17	10	7	34
School of Nursing	194	412	132	15	8	5	28
School of Public Affairs	43	493	221	25	15	16	56
School of Public Health		616	308	35	22	22	79
School of the Arts and Architecture	616	311	514	38	22	13	73
School of Theater, Film and Television	353	324	229	22	12	6	40
Basic Biomedical Sciences	554	4	194	20	12	15	47
Medical Center			9,916	1,119	660	1,064	2,843
Medical Group			2,308	217	155	258	630
Neuropsychiatric Hospital			396	45	37	15	97
Semel Institute			844	79	48	45	172
University Extension			347	38	23	30	91
All Others			7,858	615	374	91	1,080
Subtotal Organizations	31,543	14,199	38,588	4,281	2,424	2,627	9,332
Depreciation Expense						416	416
Impairment of Capital Assets						4	4
Other Operational Expenditures						24	24
Total	31,543	14,199	38,588	\$4,281	\$2,424	\$3,071	\$9,776

THE CAMPUS' FINANCIAL POSITION

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 California, including cities and counties throughout the state. On March 4, 2020, the Governor declared a state of emergency to help the state prepare and respond to COVID-19, and on March 19, 2020, the Governor issued a statewide order, Executive Order N-33-20, directing all residents to heed current state public health directives to stay home or at their place of residence except as needed to maintain continuity of operations of critical infrastructure sectors during the COVID-19 response. Such orders and restrictions have resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, travel restrictions and cancellations of events. In response to the state orders, the University transitioned to online education for all classes in the spring and gave students living on campus the option to cancel housing contracts and move home. Additionally, elective procedures at the medical centers and clinics were canceled to prepare for an expected surge in COVID-19 patients. These changes impacted the University's operations in 2020, resulting in lost revenues and increased expenses as compared to budget.



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, 2020, 2019, and 2018 are as follows:

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

<i>(in millions of dollars)</i>	2020	2019	2018
ASSETS			
Investments	\$6,441	\$6,259	\$6,055
Accounts receivable, net	977	975	865
Capital assets, net	6,820	6,335	6,237
Other assets	358	358	299
Total assets	14,596	13,927	13,456
DEFERRED OUTFLOWS OF RESOURCES			
	3,227	2,478	1,149
LIABILITIES			
Debt, including commercial paper	4,085	3,479	3,544
Net pension liability, including pension payable to UCOP	5,765	5,014	3,118
Net retiree health benefits liability	5,188	4,336	4,254
Other liabilities	1,866	1,468	1,505
Total liabilities	16,904	14,297	12,421
DEFERRED INFLOWS OF RESOURCES			
	2,050	2,001	1,869
NET POSITION			
Net investment in capital assets	3,080	3,259	3,118
Restricted:			
Nonexpendable	333	325	299
Expendable	1,662	1,658	1,839
Unrestricted	(6,206)	(5,135)	(4,941)
Total net position	\$(1,131)	\$107	\$315

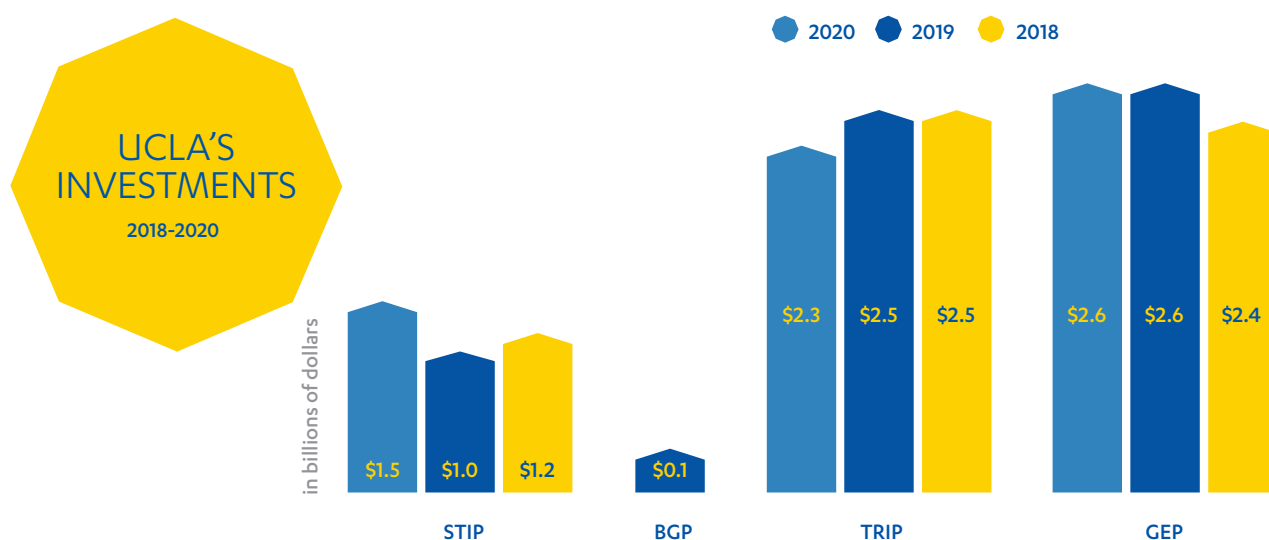
The campus' assets and deferred outflows

UCLA's total assets and deferred outflows of resources have increased to \$17.8 billion in 2020, compared to \$16.4 billion in 2019 and \$14.6 billion in 2018. 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 increased 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 in April 2019 to enhance returns by passively investing funds in the equity and fixed-income markets. To meet increased liquidity needs during the pandemic, BGP was liquidated and closed on April 30, 2020 and the funds were deposited in STIP. The 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) utilize 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 5.0 percent in 2020, 8.2 percent in 2019 and 8.9 percent in 2018. 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 and closed. TRIP had positive returns of 1.7 percent, 6.3 percent and 4.5 percent in 2020, 2019, and 2018, respectively. STIP had positive returns of 2.1 percent, 2.2 percent and 2.0 percent in 2020, 2019, and 2018, 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 \$914 million in 2020 as compared to \$516 million in 2019 and \$455 million in 2018. Completed buildings and improvements in 2020 include the Anderson School of Management Addition for \$66 million, Margan Apartments Redevelopment for \$47 million, and Warner Graduate Arts Studio Renovation and Addition for \$30 million. Acquisitions in 2020 include properties on 1515-1517 and 1522 South Westgate Avenue for \$157 million, and 1101-1145 Gayley Avenue for \$78 million.

Major projects under construction include Lot 15 Residence Hall (housing for first- and second-year undergraduate students) with cumulative costs of \$97 million, Southwest Campus Apartments (housing for graduate and upper-division undergraduate students) with cumulative costs of \$93 million, 10995 Le Conte Apartments (housing for upper-division undergraduate students) with cumulative costs of \$82 million, and Franz Tower Seismic Renovation with cumulative costs of \$41 million as of FY 2020.

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 2020, deferred outflows increased primarily due to lower than expected investment returns for the University of California Retirement Plan (UCRP) and the reduction in the discount rate for estimating the net retiree health benefits liability. In 2019,

deferred outflows increased primarily for pension and retiree health benefits liabilities due to changes in assumptions from the experience study for the University.

The campus' liabilities and deferred inflows

UCLA's liabilities and deferred inflows of resources increased to \$19.0 billion in 2020 as compared to \$16.3 billion in 2019 and \$14.3 billion in 2018. The change in 2020 was primarily related to the issuance of additional debt to finance capital projects and increases in the liabilities for pension benefits and retiree health benefits. In 2019, 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. Outstanding debt increased by \$606 million and decreased by \$64 million in 2020 and 2019, respectively.

UCLA's debt, which is used to primarily finance capital assets, includes \$279 million, \$19 million, and \$3 million of commercial paper outstanding at the end of 2020, 2019, and 2018, respectively. Total debt outstanding was \$4.1 billion at the end of 2020 compared to \$3.5 billion at the end of both 2019 and 2018.

In 2020, \$607 million of Medical Center Pooled Revenue Bonds, including \$458 million in long-dated taxable bonds were issued to finance the acquisition, construction, improvement and renovation of certain facilities at the UCLA's medical center. Proceeds of \$149 million were used to refund outstanding Medical Center Pooled Revenue Bonds. Reductions to outstanding debt in 2020 were \$250 million in principal payments and amortizations.

In 2019, \$2 million in General Revenue Bonds, \$10 million in financing obligations, and \$13 million in other borrowings were issued to finance and refinance certain UCLA facilities and projects. Reductions to outstanding debt in 2019 were \$105 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 increased by \$260 million in 2020 compared to 2019, and increased by \$16 million in 2019 compared to 2018. 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 \$4.7 billion, \$4.0 billion, and \$2.2 billion in 2020, 2019, and 2018, respectively. The increase in 2020 was primarily driven by lower than expected investment returns for the UCRP portfolio. The increase in 2019 was primarily driven by changes in assumptions as a result of the most recent experience study, with the reduction in the discount rate and the changes in the mortality tables causing the largest increases. The total investment rate of return for UCRP was 1.7 percent in 2020, 6.0 percent in 2019 and 7.8 percent in 2018. The discount rate used to estimate the net pension liability was 6.75, 6.75 and 7.25 percent in 2020, 2019 and 2018, respectively.

UCLA's net retiree health benefits liability was \$5.2 billion, \$4.3 billion, and \$4.3 billion in 2020, 2019, and 2018, 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 benefits 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 increase in the net retiree health benefits liability was primarily driven by a decrease in the discount rate. The change in the net retiree health benefits liability in 2019 was driven by the decrease in the discount rate offset by reducing the inflation assumption and strong management of health care costs. The discount rates as of June 30, 2020, 2019 and 2018 were 2.21 percent, 3.50 percent and 3.87 percent, respectively.

Other liabilities

Other liabilities consist of accounts payable, accrued salaries, other employee benefits, unearned revenue, federal refundable loans, and self-insurance liabilities.

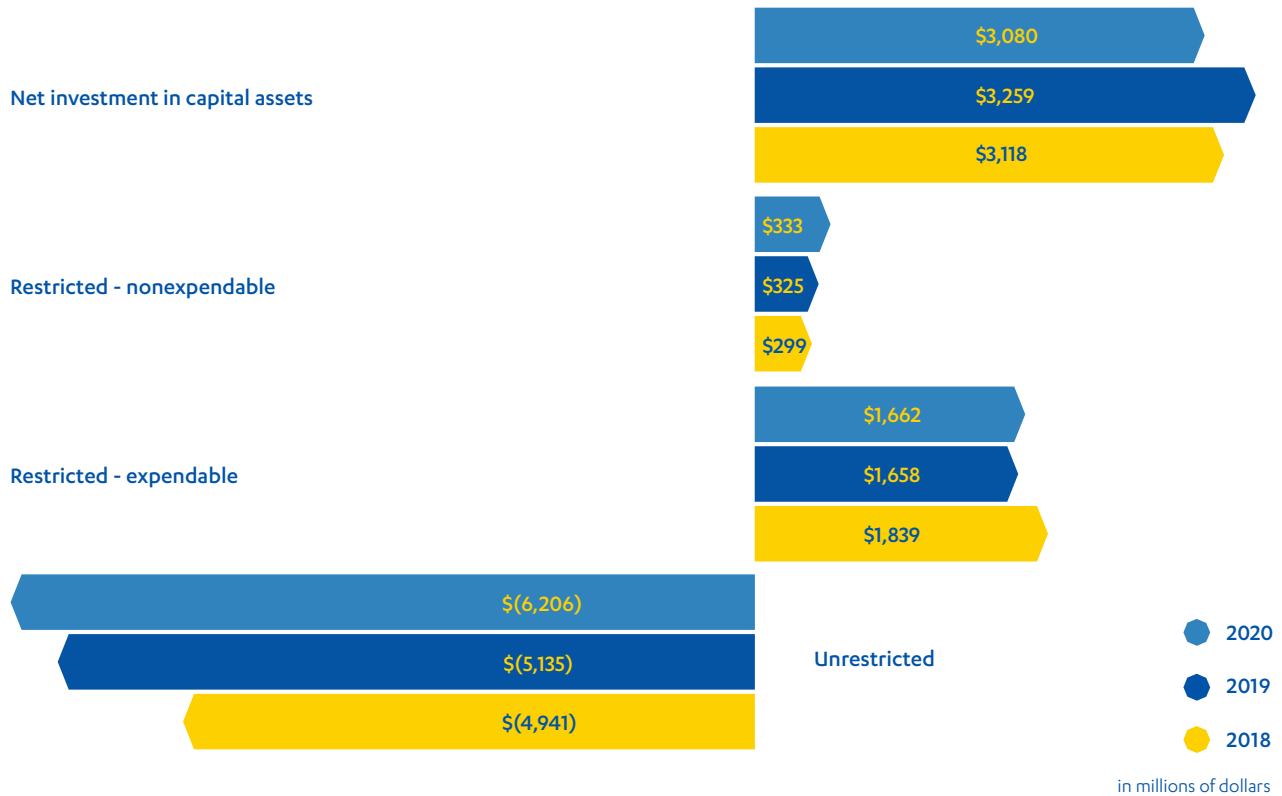
Other liabilities were \$1.9 billion, \$1.5 billion, \$1.5 billion for 2020, 2019, and 2018, respectively. Centers for Medicare & Medicaid Services (CMS) modified the advance payment program for health care providers as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and UCLA medical center received advances under this program of \$276.5 million as of June 30, 2020, which is reported in other current liabilities. In 2020, accrued salaries and employee benefits increased due to the timing of payroll and benefit payments.

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 was primarily due to fluctuations in the net pension and retiree health liabilities.

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 negative \$1,131 million in 2020, compared to positive \$107 million in 2019 and positive \$315 million in 2018. 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 \$3.1 billion in 2020 compared to \$3.3 billion in 2019 and \$3.1 billion in 2018. 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.

Restricted, nonexpendable

Restricted, nonexpendable net position includes the corpus of UCLA's permanent endowments. In 2020 and 2019, 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, appropriations or capital projects, 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 2020, 2019, and 2018, arranged in a format that matches the revenue supporting the core activities of UCLA with the expenses associated with core activities, is as follows:

Renowned Kabuki actor **Nakamura Kyoze** performing the role of a lion in "*Shujaku Jishi*" at the Glorja Kaufman Dance Theater in an event for students co-sponsored by the Yanai Initiative and the Japanese Ministry of Culture (November 14, 2019). Credit: **Ning Wong Studios**



Operating Results 2018-2020

	2020			2019			2018		
	Operating	Non-operating	Total	Operating	Non-operating	Total	Operating	Non-operating	Total
<i>(in millions of dollars)</i>									
REVENUES									
Student tuition and fees, net	\$916		\$916	\$929		\$929	\$888		\$888
State educational appropriations		\$536	536		\$493	493		\$448	448
Direct government grants		146	146						
Federal Pell Grants		55	55		56	56		57	57
Grants and contracts, net	1,080		1,080	1,049		1,049	1,016		1,016
Medical center, net	2,976		2,976	2,797		2,797	2,415		2,415
Educational activities, net	2,146		2,146	1,959		1,959	1,705		1,705
Auxiliary enterprises, net	381		381	472		472	477		477
Private gifts, net		365	365		367	367		379	379
Investment income, net		137	137		143	143		130	130
Other revenues	236	13	249	243	37	280	216	11	227
Revenues supporting core activities	7,735	1,252	8,987	7,449	1,096	8,545	6,717	1,025	7,742
EXPENSES									
Salaries and wages	4,281		4,281	3,970		3,970	3,706		3,706
Pension benefits	1,187		1,187	977		977	312		312
Retiree health benefits	357		357	269		269	301		301
Other employee benefits	880		880	796		796	730		730
Scholarships and fellowships	174		174	154		154	135		135
Utilities	59		59	62		62	57		57
Supplies and materials	1,100		1,100	1,058		1,058	947		947
Depreciation and amortization	416		416	407		407	389		389
Interest expense		141	141		133	133		134	134
Other expenses	1,322	69	1391	1,178	10	1,188	1,070	39	1,109
Expenses associated with core activities	9,776	210	9,986	8,871	143	9,014	7,647	173	7,820
Income (loss) from core activities	(2,041)	1,042	(999)	(1,422)	953	(469)	(930)	852	(78)
OTHER NONOPERATING ACTIVITIES									
Net appreciation (depreciation) in fair value of investments			(40)			266			191
Income (loss) before other changes in net position			(1,039)			(203)			113
OTHER CHANGES IN NET POSITION									
Capital gifts and grants, net			34			21			28
Permanent endowments			8			11			16
Transfers			(241)			(37)			75
Increase (decrease) in net position			(1,238)			(208)			232
NET POSITION									
Beginning of year			107			315			83
End of year			\$(1,131)			\$107			\$315

REVENUES SUPPORTING CORE ACTIVITIES

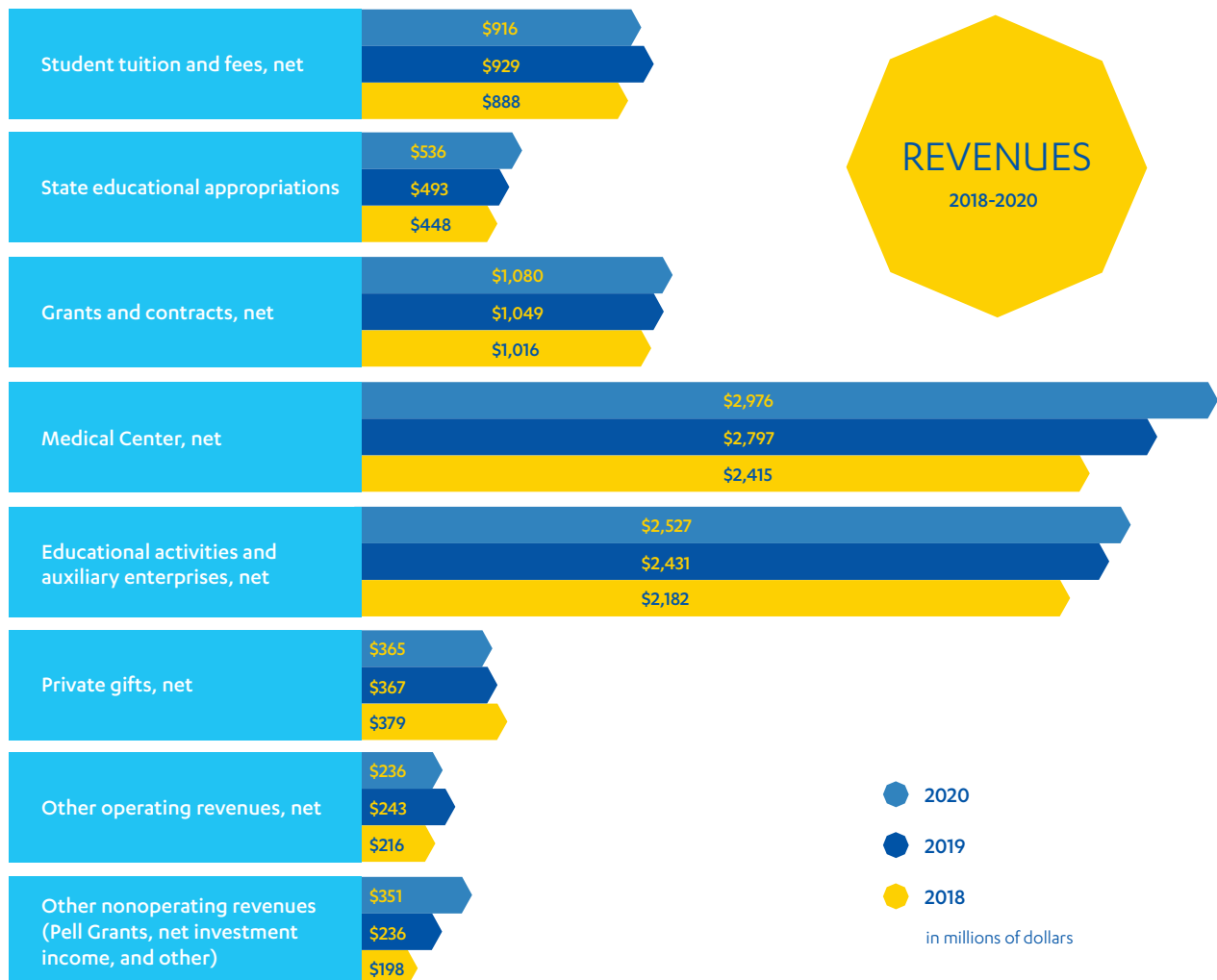
Revenues to support UCLA's core activities, including those classified as nonoperating revenues, were \$9.0 billion, \$8.5 billion, and \$7.7 billion in 2020, 2019, and 2018, respectively. These diversified sources of revenue increased by \$442 million in 2020 and \$803 million in 2019.

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. Revenues in the various categories have changed as follows:

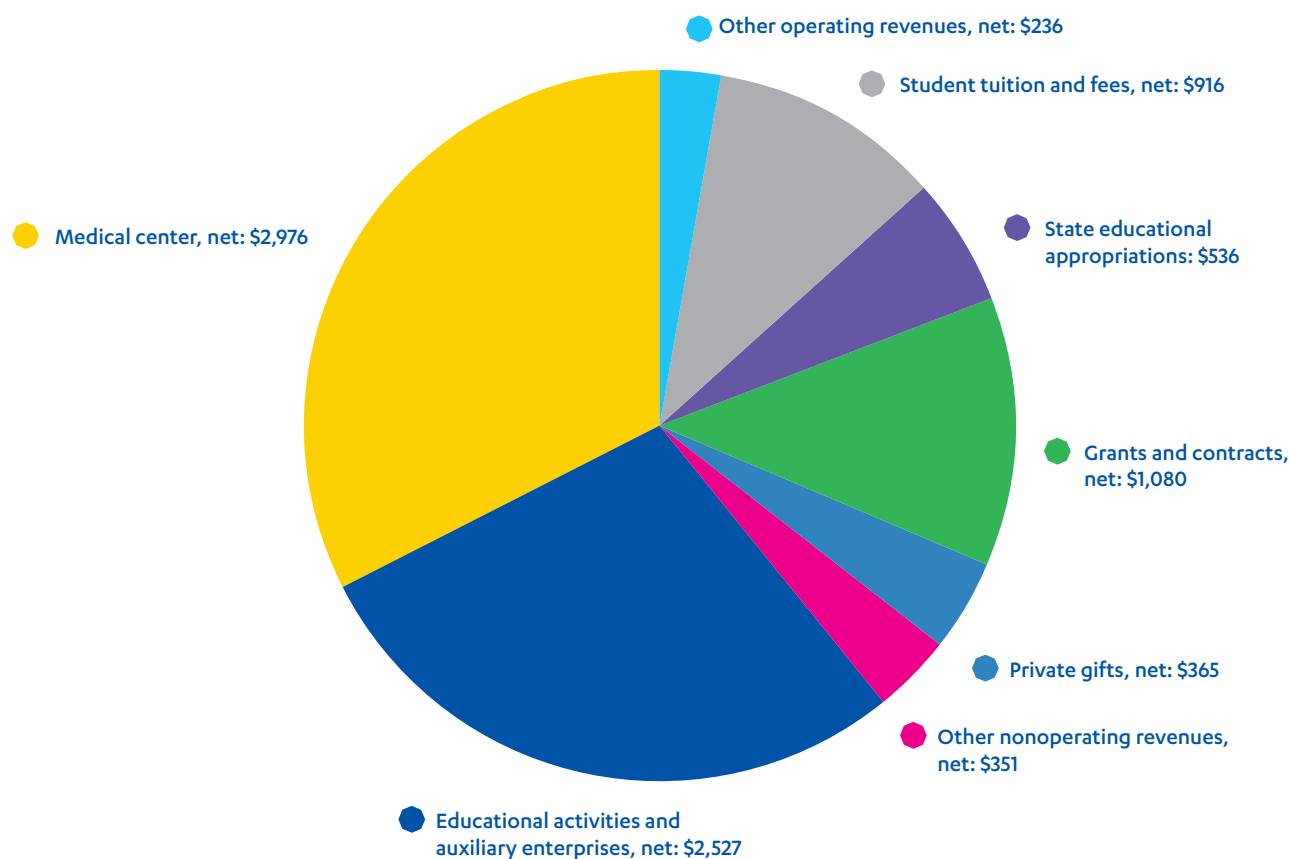
Revenues



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 2020 are as follows:

2020 Revenues (in millions of dollars)



Student tuition and fees, net

Net student tuition and fees were \$916 million, \$929 million, and \$888 million in 2020, 2019, and 2018, 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 \$232 million, \$215 million, and \$226 million in 2020, 2019, and 2018, respectively. Student tuition and fees, net of scholarship allowances, decreased by \$13 million in 2020 due to higher scholarship allowance granted to students from funds received under the CARES act, and increased by \$41 million in 2019 due to enrollment growth.

Student Tuition and Fees, Net

(in millions of dollars)	2020	2019	2018
Student tuition and fees	\$1,015	\$1,009	\$976
Summer Sessions	54	52	52
University Extension	79	83	86
Scholarship allowance	(232)	(215)	(226)
Total	\$916	\$929	\$888

In 2020, enrollment declined slightly by 0.41 percent and in 2019 enrollment grew by 1.11 percent. Mandatory tuition for resident undergraduates remained the same in 2020 and decreased 0.5 percent in 2019. 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 2020, 2019, and 2018.

State educational appropriations

Educational appropriations from the state of California were \$536 million, \$493 million, and \$448 million in 2020, 2019, and 2018, respectively. State educational appropriations increased in 2020 and 2019 by \$43 million and \$45 million, respectively.

Direct government grants

In 2020, UCLA received funds under certain provisions of the CARES Act to minimize the impacts of lost revenues and increased expenses related to COVID-19. The campuses received \$29 million 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 and the faculty practices received \$18 million in CARES Act provider relief funding for lost health care revenues and additional expenses for treating patients with COVID-19.

Grants and contracts, net

Revenue from federal, state, private, and local government grants and contracts — including an overall facilities and administration cost recovery of \$210 million, \$206 million, and \$199 million in 2020, 2019, and 2018, respectively — was \$1,080 million, \$1,049 million, and \$1,016 million in 2020, 2019, and 2018, respectively.

In 2020, federal grants and contracts revenue increased \$34 million, or 5.4 percent, as compared to 2019. In 2019, federal grants and contracts revenue increased \$28 million, or 4.7 percent, as compared to 2018. Federal grants and contracts include federal facilities and administrative cost recovery of \$147 million, \$144 million, and \$140 million in 2020, 2019, and 2018, respectively. Changes in the federal budget impact UCLA's growth in federal grants and contracts.

Grants and Contracts

<i>(in millions of dollars)</i>	2020	2019	2018
Federal government	\$664	\$630	\$602
State agencies	66	68	80
Private industries	277	276	272
Local government	73	75	62
Total	\$1,080	\$1,049	\$1,016

Medical center, net

Medical center revenues, net of allowances, increased \$179 million, or 6.4 percent, in 2020 and increased \$382 million, or 15.8 percent, in 2019. Revenues growth was impacted in 2020 due to the lower occupancy starting in March, as the medical center canceled elective procedures in preparation for an expected flood of patients with COVID-19. In May, some elective procedures resumed and hospital volumes are gradually increasing; however, volumes were still lower than normal. Revenues increased in 2019 due to price increases, rural designation, and one-time third party settlements.

Educational activities and auxiliary enterprises, net

Revenue from educational activities, primarily medical professional fees, net of allowances, increased by \$187 million, or 9.5 percent, in 2020 and increased by \$254 million, or 14.9 percent, in 2019. Revenues increased slower in 2020 due to the cancellation of clinic visits, starting in March, as a result of the outbreak of COVID-19. The growth in 2019 is generally associated with an expanded patient base and services to the public.

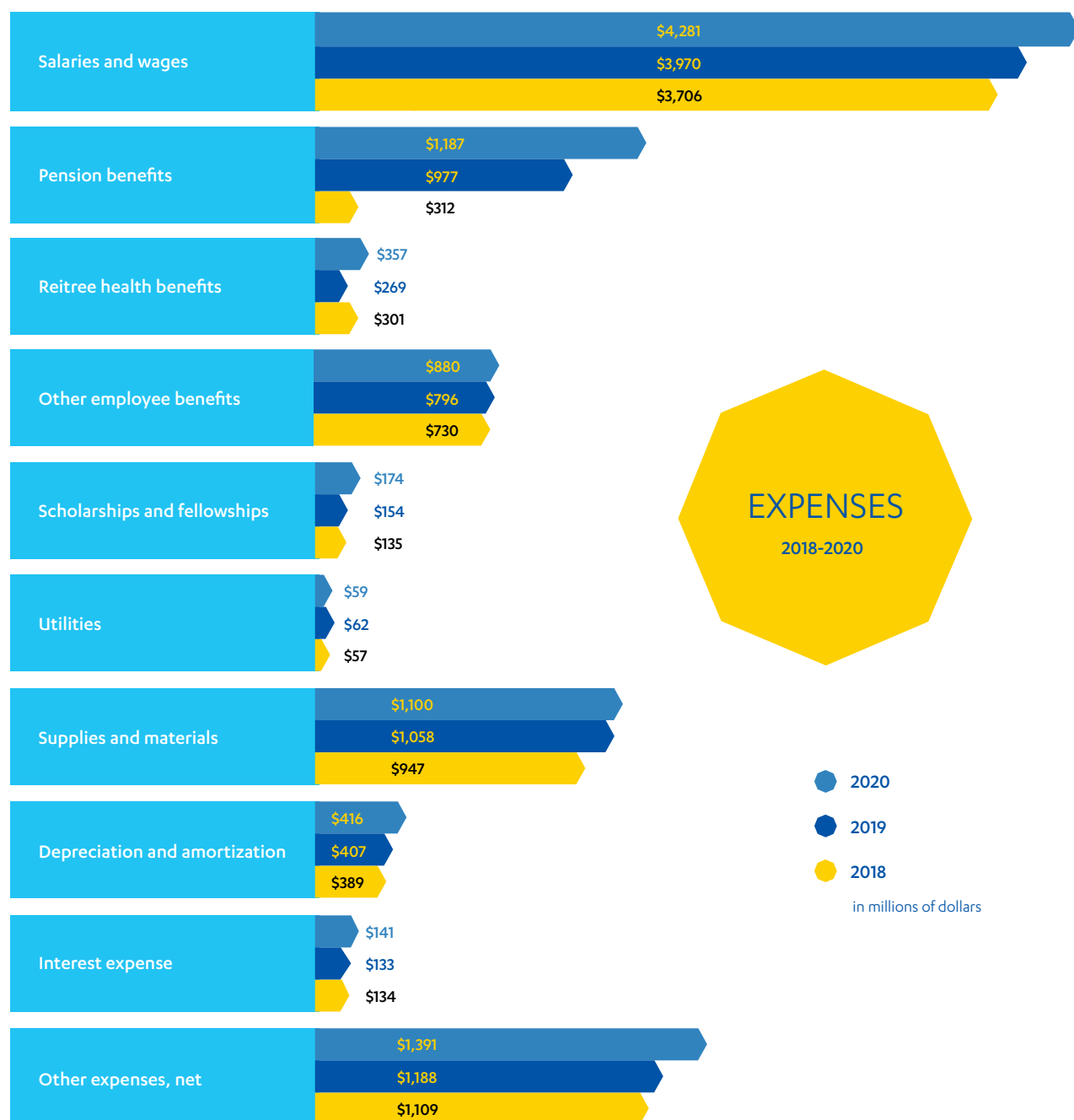
Auxiliary enterprises include housing, food service, parking, bookstores, the student center, union, and child-care center. Revenue from auxiliary enterprises, net of allowances, decreased by \$91 million, or 19.3 percent, in 2020 and decreased by \$5 million, or 1.0 percent, in 2019. In the spring of 2020, when the state orders to shelter in place were issued, students were permitted to cancel housing contracts for the remainder of the academic year. Many students elected to move home and student refunds of \$70 million were issued related to canceled housing contracts and dining plans.

EXPENSES ASSOCIATED WITH CORE ACTIVITIES

Expenses associated with UCLA's core activities, including those classified as nonoperating expenses, were \$10.0 billion, \$9.0 billion, and \$7.8 billion in 2020, 2019, and 2018, respectively. Expenses increased in 2020 by \$971 million and in 2019 by \$1,194 million. UCLA's operations continue to grow, principally at the medical center, and salaries and employee benefits increased consistent with overall expected growth in operations. 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. In 2019, pension expense, representing the largest change, increased by \$665 million due to changes in assumptions as a result of the experience study.

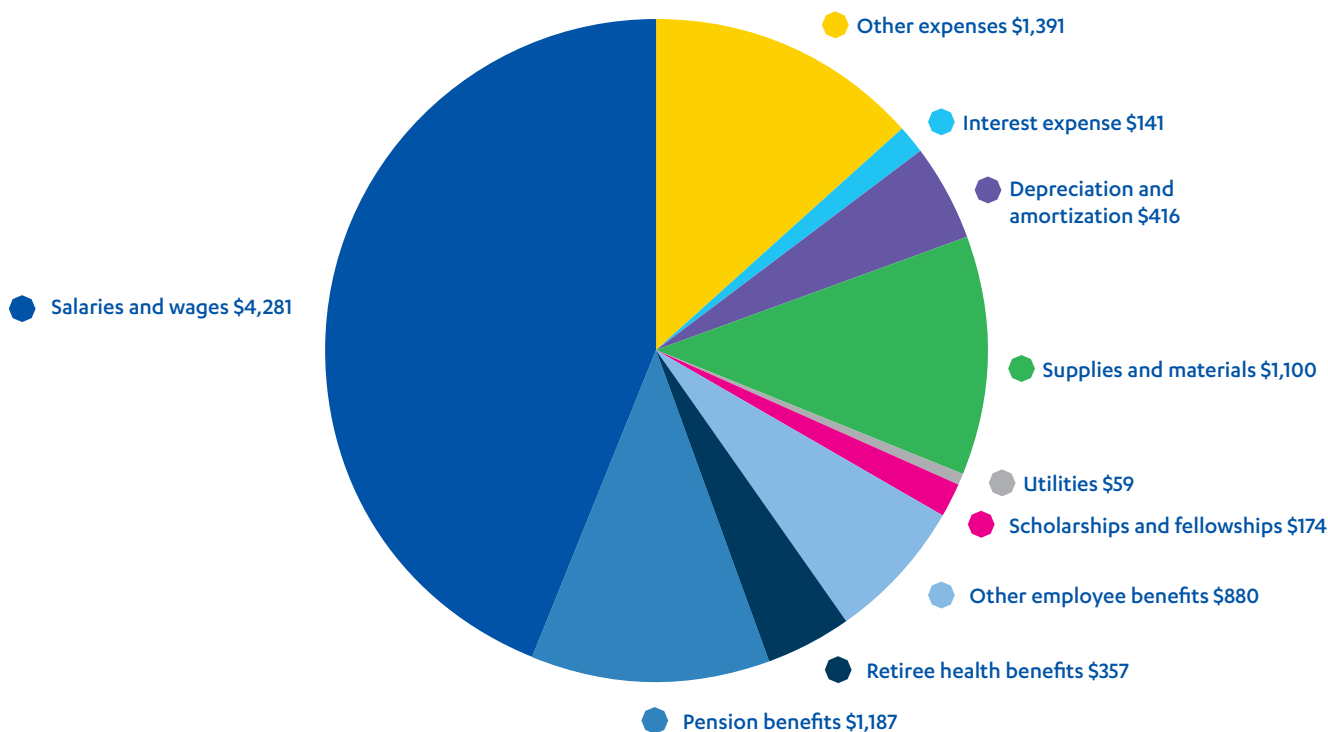
Expenses in the various categories are as follows:

Expenses



Categories of both operating and nonoperating expenses related to UCLA's core activities in 2020 are as follows:

2020 Expenses (in millions of dollars)



Salaries and benefits

Approximately two-thirds of UCLA's expenses were related to salaries and benefits. There were 38,588 full-time equivalent (FTE) employees in 2020, as compared to 37,176 FTEs in 2019. Total salaries and benefits increased by 11.5 percent and 19.1 percent in 2020 and 2019, respectively, primarily driven by higher pension and retiree health expenses.

In 2020, salaries increased by 7.8 percent, primarily due to 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 layoff any employees before June 30, 2020. Employee benefits, excluding pension and retiree health care benefits, increased by \$84 million, or 10.5 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 21.4 percent, due to lower than expected investment returns. Retiree health benefits expense increased by \$88 million, or 33.0 percent, due to the decrease in the discount rate.

In 2019, salaries increased by 7.1 percent, primarily due to an increase in the number of FTEs and an increase in the average salary per FTE. Employee benefits, excluding pension and retiree health care benefits, increased by \$66 million, or 9.1 percent in 2019, due to higher health insurance costs. Pension expense increased by \$665 million, or 213 percent, due to changes in assumptions related to the experience study. In 2019, retiree health benefits expense decreased by \$32 million, or 10.6 percent, due to the decrease in the discount rate offset by reducing the inflation assumption in 2019.

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 \$448 million, \$420 million, and \$402 million in 2020, 2019, and 2018, respectively. Scholarships and fellowships, representing payments of financial aid made directly to students and reported as an operating expense, were \$174 million, \$154 million, and \$135 million in 2020, 2019, and 2018, respectively. On a combined basis, as UCLA continues its commitment to provide financial support for needy students, financial aid in all forms increased by \$28 million, or 6.7 percent, in 2020 as compared to 2019, and by \$18 million, or 4.5 percent, in 2019 as compared to 2018. Increases in financial aid, scholarships and fellowships in both 2020 and 2019 are consistent with increases in tuition and fees and housing costs since UCLA's practice is to minimize the impact of cost increases on first-generation and low-income students. Financial aid includes payments to students of \$14.5 million in 2020 related to funds received under the CARES Act.

Supplies and materials

During 2020 and 2019, supplies and materials costs increased by \$42 million, or 4.0 percent, and \$111 million, or 11.7 percent, respectively. In 2020, expenses for personal protective, laboratory and cleaning supplies increased due to the outbreak of COVID-19. In 2019, supply cost also increased for research activities related to the increased federal contacts and grant activities. 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 \$2.0 billion, \$1.4 billion, and \$0.9 billion in 2020, 2019, and 2018, respectively. The operating losses in 2020, 2019, and 2018 were offset by \$1,042 million, \$953 million, and \$852 million, respectively, of net nonoperating revenue that supports core operating activities of UCLA. Expenses exceeded revenues associated with core activities in 2020 by \$999 million, in 2019 by \$469 million and by \$78 million in 2018. 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. In 2019, the decrease is due to increased pension expense related to changes in assumptions, primarily a lower discount rate and inflation expectation and longer mortality tables, as a result of the experience study.

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 2020, UCLA recognized net depreciation in the fair value of investments of \$40 million, as compared to net appreciation of \$266 million and \$191 million, in 2019 and 2018, respectively.

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 2020 and 2019 is as follows:

The Campus' Cash Flows

Cash flows <i>(in millions of dollars)</i>	2020	2019	Change
Cash received from operations	\$7,840	\$7,280	\$560
Cash payments for operations	(8,267)	(7,813)	(454)
Net cash used by operating activities	(427)	(533)	106
Net cash provided by noncapital financing activities	1,178	987	191
Net cash provided by operating and noncapital financing activities	751	454	297
Net cash used by capital and related financing activities	(704)	(612)	(92)
Net cash provided by investing activities	429	24	405
Net increase (decrease) in cash and cash equivalent	476	(134)	610
Cash and cash equivalent, beginning of year	1,035	1,169	(134)
Cash and cash equivalent, end of year	\$1,511	\$1,035	\$476

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 \$454 million and \$751 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.

Net cash of \$704 million was used in 2020 for capital and related financing activities, primarily for purchases of capital assets and principal and interest payments, partially offset by sources that include new external financing, and gifts for capital purposes.

The year-to-year change in cash provided by investing activities is largely the result of routine timing of investment purchases, sales, and investment income. In 2019, UCLA established Blue

and Gold Pool (BGP) by allocating \$130 million from STIP 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. In 2020, BGP was liquidated and closed to meet increased liquidity needs during the pandemic.

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. UCLA continues to comply with state and local requirements to limit the number of students, faculty and staff on campus. UCLA held substantially all courses for current fall session online and, as a result, occupancy in campus housing was lower than normal capacity. Auxiliary revenues from housing, dining, parking, and athletics are expected to be significantly lower for 2020-21. Additional costs for testing and tracing, cleaning and laboratory supplies, and personal protective equipment for patient care and students, faculty and staff on campus are expected to continue for 2020-21. There have been and may continue to be material financial impacts to UCLA due to COVID-19 that will affect financial results for 2021 and potentially beyond.

The Governor signed the 2020-2021 State Budget Act on June 29, 2020. State funds allocated to the University of a total of \$3.5 billion, which reflect a decrease of 7 percent to the University's base budget. In total, the University received a reduction of \$259.3 million to its ongoing support.

For UCLA, the Permanent State General Fund allocation totaled \$406.1 million for fiscal year 2020-21 amounting to a reduction of \$45.6 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 payment 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





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, 2020 and 2019.

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,

Allison Baird-James

Associate Vice Chancellor

Business & Finance Solutions

FINANCIAL STATEMENTS



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

	Campus		Foundations	
<i>At June 30, 2020 and 2019 (in thousands of dollars)</i>	2020	2019	2020	2019
ASSETS				
Cash	\$5,276	\$25,375	\$8,143	\$9,298
Short-term investments	1,505,235	1,009,526	545,100	555,481
Investments held by trustees	182	175		
Accounts receivable, net	976,676	975,372	65,085	15,836
Pledges receivable, net	10,134	7,013	87,803	92,845
Current portion of notes and mortgages receivable, net	5,943	8,369		
Inventories	97,812	79,068		
Other current assets	86,236	80,473		
Current assets	2,687,494	2,185,371	706,131	673,460
Investments	4,935,400	5,249,146	2,905,180	2,722,636
Investments held by trustees	788	774		
Pledges receivable, net	17,841	7,416	402,559	389,012
Notes and mortgages receivable, net	66,941	79,103		
Capital assets, net	6,819,660	6,335,255		
Other noncurrent assets	68,788	69,426	12,640	13,441
Noncurrent assets	11,909,418	11,741,120	3,320,379	3,125,089
Total assets	14,596,912	13,926,491	4,026,510	3,798,549
DEFERRED OUTFLOWS OF RESOURCES	3,227,082	2,478,146		
LIABILITIES				
Accounts payable	661,843	546,949	10,058	7,615
Accrued salaries and benefits	24,352	10,483		
Unearned revenue	337,887	363,064	5,379	4,752
Commercial paper	278,795	18,892		
Current portion of long-term debt	341,662	236,428		
Funds held for others			282,728	287,480
Other current liabilities	529,588	291,575	4,437	4,165
Current liabilities	2,174,127	1,467,391	302,602	304,012
Federal refundable loans	61,661	63,580		
Obligations under life income agreements			32,975	32,166
Long-term debt	3,465,042	3,223,976		
Net pension liability	4,658,554	3,966,162		
Pension payable to UCOP	1,105,196	1,048,271		
Net retiree health benefits liability	5,187,542	4,336,091		
Other noncurrent liabilities	252,345	191,690		
Noncurrent liabilities	14,730,340	12,829,770	32,975	32,166
Total liabilities	16,904,467	14,297,161	335,577	336,178
DEFERRED INFLOWS OF RESOURCES	2,050,134	2,000,891	47,609	50,162
NET POSITION				
Net investment in capital assets	3,079,585	3,259,322		
Restricted:				
Nonexpendable	333,352	324,982	1,466,077	1,328,835
Expendable	1,661,989	1,657,357	1,567,349	1,595,669
Unrestricted	(6,205,533)	(5,135,076)	609,898	487,705
Total net position	\$(1,130,607)	\$106,585	\$3,643,324	\$3,412,209

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, 2020 and 2019 (in thousands of dollars)	2020	2019	2020	2019
OPERATING REVENUES				
Student tuition and fees, net	\$915,637	\$929,380		
Grants and contracts, net:				
Federal	664,458	629,912		
State	66,088	67,656		
Private	276,491	276,051		
Local	72,787	75,217		
Medical center, net	2,975,751	2,796,959		
Educational activities, net	2,145,629	1,958,943		
Auxiliary enterprises, net	381,248	471,632		
Foundation private gifts			\$413,797	\$347,628
Other operating revenues, net	236,987	242,824		42
Total operating revenues	7,735,076	7,448,574	413,797	347,670
OPERATING EXPENSES				
Salaries and wages	4,280,519	3,970,361		
Pension benefits	1,186,896	977,391		
Retiree health benefits	357,214	268,594		
Other employee benefits	879,826	795,975		
Supplies and materials	1,099,902	1,058,025		
Depreciation and amortization	415,889	407,185		
Scholarships and fellowships	174,407	154,293		
Utilities	58,511	61,938		
Foundation grants			332,787	316,666
Other operating expenses	1,323,300	1,177,672	16,032	13,342
Total operating expenses	9,776,464	8,871,434	348,819	330,008
Operating income (loss)	(2,041,388)	(1,422,860)	64,978	17,662
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	535,734	493,090		
State hospital fee grants	4,271	5,564		
Direct government grants	145,612			
Build America Bonds federal interest subsidies	9,483	9,481		
Federal Pell Grants	54,690	55,528		
Private gifts, net	364,683	366,761		
Investment income:				
Short Term Investment Pool and other, net	71,502	91,809		
Endowment, net	65,985	51,051		
Foundation			13,549	19,239
Net appreciation (depreciation) in fair value of investments	(40,463)	266,191	8,063	76,242
Interest expense	(141,013)	(132,763)		
Loss on disposal of capital assets	(9,710)	(10,185)		
Other nonoperating revenues (expenses)	(58,678)	23,017		
Net nonoperating revenues	1,002,096	1,219,544	21,612	95,481
Income (loss) before other changes in net position	(1,039,292)	(203,316)	86,590	113,143
OTHER CHANGES IN NET POSITION				
Capital gifts and grants, net	34,593	20,600		
Permanent endowments	8,013	10,826	144,525	122,232
Transfers	(240,506)	(36,979)		
Increase (decrease) in net position	(1,237,192)	(208,869)	231,115	235,375
NET POSITION				
Beginning of year	106,585	315,454	3,412,209	3,176,834
End of year	\$(1,130,607)	\$106,585	\$3,643,324	\$3,412,209

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, LOS ANGELES
TRANSFERS (UNAUDITED)

	Campus	
<i>Years ended June 30, 2020 and 2019 (in thousands of dollars)</i>	2020	2019
Intercampus	\$(148,342)	\$59,865
Unexpended plant	327,832	(84,143)
Retirement of indebtedness	60,917	61,767
Investment in plant:		
Intrafund transfer assets	(12)	255
Intrafund transfer depreciation	272	(610)
Loan	(161)	(155)
Total Transfers	\$240,506	\$36,979

See accompanying Notes to Financial Statements

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

Years ended June 30, 2020 and 2019 (in thousands of dollars)	Campus		Foundations	
	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	\$918,437	\$926,710		
Grants and contracts	1,076,864	1,100,806		
Medical center	2,981,167	2,753,970		
Educational activities	2,149,022	1,924,454		
Auxiliary enterprises	349,653	466,200		
Collection of loans from students and employees	14,466	13,736		
Private gifts received by foundations			\$373,738	\$338,785
Payments to employees	(4,225,400)	(4,035,936)		
Payments to suppliers and utilities	(2,384,817)	(2,162,027)		
Payments for pension benefits	(470,143)	(377,265)		
Payments for retiree health benefits	(80,551)	(94,587)		
Payments for other employee benefits	(901,345)	(856,488)		
Payments for scholarships and fellowships	(174,407)	(154,293)		
Loans issued to students and employees	230	(18,417)		
Payments to campus and beneficiaries			(345,401)	(329,739)
Other receipts (payments)	350,536	94,000	(4,616)	(3,075)
Transfers - intercampus	(30,988)	(113,794)		
Net cash provided (used) by operating activities	(427,276)	(532,931)	23,721	5,971
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	535,734	493,090		
Federal Pell Grants	54,690	55,528		
Direct government grants	145,612			
State hospital fee grants	4,271	5,564		
Gifts received for other than capital purposes:				
Private gifts for endowment purposes			103,564	114,897
Other private gifts	351,136	362,949		
Other payments	(7,678)	(23,268)		
Transfers - intercampus	94,673	93,519		
Net cash provided by noncapital financing activities	1,178,438	987,382	103,564	114,897
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	260,361	17,278		
Payments of principal	(457)	(1,781)		
Interest paid	(1,392)	(279)		
Build America Bonds federal interest subsidies	9,467	8,589		
Capital gifts and grants	41,407	42,086		
Proceeds from debt issuance	620,014	116,025		
Purchases of capital assets	(881,558)	(503,094)		
Refinancing or prepayment of outstanding debt	(37,423)			
Scheduled principal paid on debt and capital leases	(236,291)	(195,834)		
Interest paid on debt and capital leases	(140,701)	(139,863)		
Transfers - intercampus	(337,831)	44,077		
Net cash used by capital and related financing activities	(704,404)	(612,796)		
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (purchases) / proceeds from sales and maturities of investments	357,734	(66,776)	(140,645)	(135,709)
Investment income, net of investment expenses	71,118	91,135	12,205	19,540
Net cash provided (used) by investing activities	428,852	24,359	(128,440)	(116,169)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	475,610	(133,986)	(1,155)	4,699
Cash and cash equivalents, beginning of year	1,034,901	1,168,887	9,298	4,599
Cash and cash equivalents, end of year	\$1,510,511	\$1,034,901	\$8,143	\$9,298

See accompanying Notes to Financial Statements

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

	Campus		Foundations	
<i>Years ended June 30, 2020 and 2019 (in thousands of dollars)</i>	2020	2019	2020	2019
Cash and cash equivalents are comprised of the followings:				
Cash	\$5,276	\$25,375	\$8,143	\$9,298
Short-term investments	1,505,235	1,009,526		
Cash and cash equivalents Total	\$1,510,511	\$1,034,901	\$8,143	\$9,298
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities				
Operating income (loss)	\$(2,041,388)	\$(1,422,860)	\$64,978	\$17,662
<i>Adjustments to reconcile operating income (loss) to net cash used by operating activities:</i>				
Depreciation and amortization expense	415,889	407,185		
Noncash gifts			(32,392)	(28,038)
Allowance for uncollectible accounts	45,948	46,123	4,999	3,803
Loss on impairment of capital assets	3,550	1,080		
<i>Change in assets and liabilities</i>				
Investments			(1,692)	(1,201)
Accounts receivable	13,009	(125,809)	(370)	2,395
Pledges receivable			(13,506)	15,701
Investments held by trustees	(8)	(8)		
Inventories	(18,745)	(17,014)		
Deferred charges	(5,762)	4,824	2,052	1,625
Other assets	638	(28,262)		
Accounts payable	110,610	67,464	2,444	(1,560)
Accrued salaries and benefits	13,869	(162,456)		
Unearned revenue	(25,178)	21,271	778	(773)
Obligations under life income agreements			966	602
Net pension liability	716,753	608,290		
Net retiree health benefits liability	257,629	171,010		
Other liabilities	85,910	(103,769)	(4,536)	(4,245)
Net cash provided (used) by operating activities	\$(427,276)	\$(532,931)	\$23,721	\$5,971
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired through capital leases	\$24,576	\$10,184		
Change in fair value of interest rate swaps classified as hedging derivatives	(29,673)	(16,098)		
Gifts of capital assets	7,441	(409)		
Gifts of securities and real property - operating			\$32,394	\$28,037
Gifts of securities and real property - for endowment purposes			40,494	6,936
Noncash gifts for Foundation-administered irrevocable split interest agreements				1,005
Beneficial interests in irrevocable split interest agreements administered by third-parties			640	93

See accompanying Notes to Financial Statements

University of California, Los Angeles

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019



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, 2020 and 2019 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 June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest costs would no longer be capitalized as part of the asset’s historical cost upon implementation of this new standard. The University implemented this standard as of July 1, 2019.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests — An Amendment of GASB Statements No. 14 and No. 61* and this change was implemented as of July 1, 2019. The Statement defines a majority equity interest in a legally separate organization and clarifies the accounting and financial reporting for majority equity interests, classified as either investments or component units, in the financial statements. Implementation of Statement No. 90 had no impact on the financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, and this standard was implemented by the University as of July 1, 2018. The Statement establishes reporting requirements related to the replacement of Interbank Offered Rates. Under this standard, the University is permitted to continued hedge accounting for interest rate swaps when the terms of the swaps are modified to replace the London Interbank Offered Rate (LIBOR) as the reference rate as long as certain criteria are met. Implementation of Statement No. 93 had no impact on the 2019 financial statements.

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, 2020 and 2019.

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.

Prior to implementing GASB Statement No. 89, interest on borrowings to finance facilities was capitalized during construction, net of any investment income earned on tax-exempt borrowings during the temporary investment of project-related borrowings.

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.

Funds held for others

Funds held for others result from the foundations acting as an agent, or fiduciary, on behalf of organizations that are not significant or financially accountable to the foundations.

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, 2020 and 2019, 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 28 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 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.

In 2020, UCLA received grants under certain provisions of the 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. UCLA Medical Center and faculty practices recognized direct grants as nonoperating revenues based on estimates of lost revenues and increased expenses following the information contained in laws and regulations, as well as interpretations issued by the Department of Health and Human Services, governing the publicly available funding at June 30, 2020.

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:

Scholarship Allowance

(in thousands of dollars)

	2020	2019
Student tuition and fees	\$231,788	\$215,106
Auxiliary enterprises	42,266	50,312
Total	\$274,054	\$265,418

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, 2020, the facilities and administrative cost recovery totaled \$210 million, which consisted of \$147 million from federally sponsored programs and \$63 million from other sponsors. For the year ended June 30, 2019, the facilities

and administrative cost recovery totaled \$206 million, which consisted of \$144 million from federally sponsored programs and \$62 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 January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for the University's fiscal year beginning July 1, 2020. 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 equivalent arrangement that meets specific criteria. The University is evaluating the effect Statement No. 84 will have on its financial statements.

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, 2020 and 2019, the carrying amount of the University's demand deposits, generally held in five nationally recognized banking institutions, was \$335.7 million and \$143.1 million, respectively, compared to bank balances of \$280.7 million and \$93.6 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, 2020 and 2019, UCLA cash was \$5.3 million and \$25.4 million, respectively.

The carrying amount of the campus foundations' cash at June 30, 2020 and 2019 was \$8.1 million and \$9.3 million, respectively, compared to bank balances of \$7.7 million and \$8.6 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. Uncollateralized bank balances include \$0.4 million and \$0.7 million in excess of the FDIC limits at June 30, 2020 and 2019, 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 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>					
At June 30, 2020					
Accounts receivable	\$142,191	\$489,771	\$412,409	\$1,044,371	\$65,085
Allowance for uncollectible accounts	(320)	(47,238)	(20,137)	(67,695)	
Accounts receivable, net	\$141,871	\$442,533	\$392,272	\$976,676	\$65,085
At June 30, 2019					
Accounts receivable	\$132,791	\$495,141	\$414,457	\$1,042,389	\$15,836
Allowance for uncollectible accounts	(520)	(47,192)	(19,305)	(67,017)	
Accounts receivable, net	\$132,271	\$447,949	\$395,152	\$975,372	\$15,836

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>	2020	2019
Student tuition and fees	\$105	\$(122)
Grants and contracts		(70)
Medical center	(45,017)	(44,784)
Educational activities	(1,050)	(986)
Auxiliary enterprises	23	10
Other operating revenues	(9)	(171)
Expense for uncollectible accounts	\$(45,948)	\$(46,123)

4. PLEDGES RECEIVABLE

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

	UCLA		UCLA Foundations	
	2020	2019	2020	2019
<i>(in thousands of dollars)</i>				
Total pledges receivable outstanding	\$35,209	\$18,952	\$602,471	\$594,205
Unamortized discount to present value	(780)	(502)	(94,219)	(95,510)
Allowance for uncollectible pledges	(6,454)	(4,021)	(17,890)	(16,838)
Total pledges receivable, net	27,975	14,429	490,362	481,857
Current portion of pledges receivable	(10,134)	(7,013)	(87,803)	(92,845)
Noncurrent portion of pledges receivable	\$17,841	\$7,416	\$402,559	\$389,012

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2020 and thereafter are as follows:

Adjustments to the allowance for uncollectible pledges for UCLA have increased private gift revenue by \$278K and \$354K for the years ended June 30, 2020 and 2019, respectively.

<i>(in thousands of dollars)</i>	UCLA	UCLA Foundations
Year Ending June 30		
2021	\$13,113	\$99,977
2022	6,236	57,908
2023	5,334	106,319
2024	7,167	39,170
2025	2,742	41,627
2026-2030	617	76,905
Beyond 2030		180,565
Total payments on pledges receivable	\$35,209	\$602,471

5. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2020 and 2019, along with allowance for uncollectible amounts, are as follows:

<i>(in thousands of dollars)</i>	Current	Noncurrent Notes	Noncurrent Mortgages	Total
At June 30, 2020				
Notes and mortgages receivable	\$7,032	\$55,424	\$14,279	\$76,735
Allowance for uncollectible amounts	(1,089)	(2,619)	(143)	(3,851)
Notes and mortgages receivable, net	\$5,943	\$52,805	\$14,136	\$72,884
At June 30, 2019				
Notes and mortgages receivable	\$9,544	\$68,663	\$13,504	\$91,711
Allowance for uncollectible amounts	(1,175)	(2,917)	(147)	(4,239)
Notes and mortgages receivable, net	\$8,369	\$65,746	\$13,357	\$87,472

6. CAPITAL ASSETS

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

(in thousands of dollars)

Original Cost	2018	Additions	Disposals	2019	Additions	Disposals	2020
Land	\$167,320			\$167,320	\$58,299		\$225,619
Infrastructure	18,373	\$200		18,573			18,573
Buildings and improvements	8,090,673	194,169		8,284,842	458,457	\$(4,227)	8,739,072
Equipment	1,411,600	113,003	\$(70,933)	1,453,670	121,209	(52,923)	1,521,956
Intangible assets	293,040	44,487	(3,945)	333,582	17,465	(173,562)	177,485
Libraries and collections	796,171	37,540	(16,546)	817,165	37,031		854,196
Special collections	124,221	4,357		128,578	2,916		131,494
Construction in progress	280,470	122,125		402,595	219,002		621,597
Capital assets, at original cost	\$11,181,868	\$515,881	\$(91,424)	\$11,606,325	\$914,379	\$(230,712)	\$12,289,992

Accumulated Depreciation and Amortization	2018	Depreciation & Amortization	Disposals	2019	Depreciation & Amortization	Disposals	2020
Infrastructure	\$7,200	\$535		\$7,735	\$528		\$8,263
Buildings and improvements	3,338,896	246,068		3,584,964	254,452	\$(1,592)	3,837,824
Equipment	865,980	88,146	\$(67,247)	886,879	85,419	(49,851)	922,447
Intangible assets	177,299	43,921	(2,019)	219,201	45,550	(157,413)	107,338
Libraries and collections	555,047	28,516	(11,272)	572,291	29,941	(7,772)	594,460
Accumulated depreciation and amortization	4,944,422	407,186	(80,538)	5,271,070	415,890	(216,628)	5,470,332
Capital assets, net	\$6,237,446			\$6,335,255			\$6,819,660

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>	Weighted Average Interest Rate	Interest Rate Range	Maturity Years	2020	2019
Interim financing:					
Commercial paper		0.1 - 1.7%	2020 - 2021	\$278,795	\$18,892
Long-term financing:					
University of California General Revenue Bonds					
Fixed rate	4.8%	1.4 - 7.6%	2021 - 2115	1,407,134	1,447,263
Variable rate	0.1%	0.1 - 0.2%	2037 - 2048	85,791	85,791
University of California Limited Project Revenue Bonds	4.8%	1.8 - 6.3%	2021 - 2058	732,790	754,499
University of California Medical Center Pooled Revenue Bonds					
Fixed rate	4.1%	1.6 - 6.6%	2021 - 2120	946,338	504,300
Variable rate	0.1%	0.1%	2021 - 2047	180,510	180,325
Unamortized bond premium				167,125	182,816
University of California revenue bonds	4.4%			3,519,688	3,154,994
Financing obligations		0 - 11.8%	2020 - 2042	113,646	115,674
Other University borrowings		Various	2020 - 2055	173,370	189,736
Total outstanding debt				4,085,499	3,479,296
Less: Commercial paper				(278,795)	(18,892)
Current portion of outstanding debt				(341,662)	(236,428)
Noncurrent portion of outstanding debt				\$3,465,042	\$3,223,976

Interest expense associated with financing projects during construction, net of any investment income earned on tax-exempt bond proceeds during construction, was capitalized up through June 30, 2019. Total interest expense during the years ended June 30, 2020 and 2019 was \$141 million and \$136 million, respectively. Interest expense, net of investment income, totaling \$3 million, was capitalized during the year ended June 30, 2019. The remaining \$133 million in 2019 is reported as interest expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Outstanding debt activity

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
Year Ended June 30, 2020				
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)		(14,604)	(37,423)
Scheduled principal payments	(205,598)	(26,604)	(4,089)	(236,291)
Amortization of bond premium	(13,997)			(13,997)
Long-term debt and financing obligations at June 30, 2020	3,519,688	113,646	173,370	3,806,704
Less: Current portion	(217,340)	(23,148)	(101,174)	(341,662)
Noncurrent portion at June 30, 2020	\$3,302,348	\$90,498	\$72,196	\$3,465,042
Year Ended June 30, 2019				
Long-term debt and financing obligations at June 30, 2018	\$3,237,052	\$120,301	\$182,860	\$3,540,213
New obligations	2,385	10,183	12,532	25,100
Bond premium, net	81			81
Scheduled principal payments	(70,405)	(14,810)	(5,656)	(90,871)
Amortization of bond premium	(14,119)			(14,119)
Long-term debt and financing obligations at June 30, 2019	3,154,994	115,674	189,736	3,460,404
Less: Current portion	(210,478)	(21,346)	(4,604)	(236,428)
Noncurrent portion at June 30, 2019	\$2,944,516	\$94,328	\$185,132	\$3,223,976

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, 2020, the University has two revolving credit agreements totaling \$700 million. There were no borrowings against the revolving credit lines as of June 30, 2020.

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

	2020		2019	
	Interest Rates	Outstanding	Interest Rates	Outstanding
<i>(in thousands of dollars)</i>				
Tax-exempt	0.08 - 1.15%	\$183,909	1.23 - 1.80%	\$17,836
Taxable	0.15 - 1.72%	94,886	2.38 - 2.63%	1,056
Total Outstanding		\$278,795		\$18,892

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. General Revenues for the years ended June 30, 2020 and 2019 were \$4.3 billion and \$4.2 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 the specific projects.

The Limited Project Revenue Bond Indenture requires the University to achieve the sum of gross project 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 pledged revenues for the years ended June 30, 2020 and 2019 were \$435 million and \$534 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 five medical centers for the years ended June 30, 2020 and 2019 were \$14.4 billion and \$13.4 billion, respectively. Pledged revenues for the UCLA Medical Center for the years ended June 30, 2020 and 2019 were \$3.0 billion and \$2.9 billion, respectively.

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. Medical Center Pooled Revenue Bonds indexed to LIBOR.

2019 activity

In March 2019, General Revenue Bonds totaling \$2.4 million of taxable bonds were issued for working capital purposes and to finance the acquisition, construction, improvement and renovation of certain facilities of UCLA. The bonds mature at various dates through 2031. Proceeds, including a

bond premium of \$81 thousand, were used to pay for project construction. The taxable bonds have a stated weighted average interest rate of 3.3 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

Subsequent event

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.

Capital leases

Capital leases entered into with other lessors, typically for equipment, totaled \$25 million and \$10 million for the years ended June 30, 2020 and 2019, 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 \$98 million and \$118 million at June 30, 2020 and 2019, 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 \$75 million and \$71 million at June 30, 2020 and 2019, 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, 2020, 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.

(in thousands of dollars)

Year Ended At June 30	Commercial Paper	Revenue Bonds	Financing Obligations	Other University Borrowings	Total Payments	Principal	Interest
2021	\$279,168	\$229,683	\$27,862	\$101,174	\$637,887	\$489,652	\$148,235
2022		228,486	12,850	3,008	244,344	100,849	143,495
2023		226,445	11,659	3,008	241,112	101,821	139,291
2024		224,846	9,402	3,008	237,256	102,205	135,051
2025		223,554	6,976	3,008	233,538	102,605	130,933
2026 - 2030		1,044,938	26,520	15,040	1,086,498	495,939	590,559
2031 - 2035		960,150	31,238	15,040	1,006,428	530,878	475,550
2036 - 2040		814,839	38,005	15,040	867,884	513,821	354,063
2041 - 2045		641,923	13,983	15,044	670,950	421,590	249,360
2046 - 2050		545,177			545,177	357,058	188,119
2051 - 2055		156,658			156,658	9,410	147,248
2056 - 2120		2,019,211			2,019,211	692,546	1,326,665
Total future debt service	279,168	7,315,910	178,495	173,370	7,946,943	\$3,918,374	\$4,028,569
Less: interest component of future payments	(373)	(3,963,347)	(64,849)		(4,028,569)		
Principal portion of future payments	278,795	3,352,563	113,646	173,370	3,918,374		
Adjusted by:							
Unamortized bond premium		167,125			167,125		
Total debt	\$278,795	\$3,519,688	\$113,646	\$173,370	\$4,085,499		

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, 2020.

Medical Center Pooled Revenue Bonds of \$31.3 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, 2020.

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, 2020, 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, 2020, combined debt service requirements of the variable-rate debt and net swap payments are as follows:

(in thousands of dollars)

Year Ending June 30	Variable Rate Bonds		Interest Rate Swap, Net	Total Payments
	Principal	Interest		
2021		\$179	\$7,994	\$8,173
2022		184	7,990	8,174
2023	\$3,365	184	7,985	11,534
2024	3,525	182	7,942	11,649
2025	3,675	179	7,878	11,732
2026 - 2030	21,080	855	37,199	59,134
2031 - 2035	26,395	773	32,934	60,102
2036 - 2040	37,090	672	25,780	63,542
2041 - 2045	92,655	489	9,912	103,056
2046 - 2048	78,516	98	1,104	79,718
Total debt	\$266,301	\$3,795	\$146,718	\$416,814

8. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The composition of deferred outflows and inflows of resources at June 30 are summarized as follows:

<i>(in thousands of dollars)</i>	Net Pension Liability	Net Retiree Health Benefits Liability	Debt Refunding	Interest Rate Swap Agreements	Royalty Sales	Asset Retirement Obligations	Total
At June 30, 2020							
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
At June 30, 2019							
Deferred outflows of resources	\$1,454,031	\$920,053	\$38,649	\$65,166		\$247	\$2,478,146
Deferred inflows of resources	68,127	1,493,456	1,340		\$437,968		2,000,891

9. THE UNIVERSITY OF CALIFORNIA RETIREMENT PLANS

Most UCLA employees participate in the University of California Retirement System (UCRS). UCRS consists of 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 Employee's 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, 2020 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>				
CONDENSED STATEMENT OF PLANS' FIDUCIARY NET POSITION				
Investments at fair value	\$71,727,610	\$62,607	\$25,488,065	\$97,278,282
Participants' interests in mutual funds			1,828,837	1,828,837
Investment of cash collateral	4,618,841	4,036	2,965,803	7,588,680
Other assets	2,256,036	1,510	569,957	2,827,503
Total assets	78,602,487	68,153	30,852,662	109,523,302
Collateral held for securities lending	4,618,889	4,037	2,965,834	7,588,760
Other liabilities	3,067,357	2,435	619,814	3,689,606
Total liabilities	7,686,246	6,472	3,585,648	11,278,366
Net position held in trust	\$70,916,241	\$61,681	\$27,267,014	\$98,244,936
CONDENSED STATEMENT OF CHANGES IN PLANS' FIDUCIARY NET POSITION				
Contributions	\$3,463,327		\$1,643,791	\$5,107,118
Net appreciation (depreciation) in fair value of investments	70,297	\$(3)	908,078	978,372
Investment and other income, net	1,114,641	1,052	473,853	1,589,546
Total additions	4,648,265	1,049	3,025,722	7,675,036
Benefit payment and participant withdrawals	3,944,998	4,142	1,531,954	5,481,094
Other deductions	65,989	4	5,811	71,804
Total deductions	4,010,987	4,146	1,537,765	5,552,898
Change in net position held in trust	637,278	(3,097)	1,487,957	2,122,138
Net position held in trust				
Beginning of year	70,278,963	64,778	25,779,057	96,122,798
End of year	\$70,916,241	\$61,681	\$27,267,014	\$98,244,936
CHANGES IN TOTAL PENSION LIABILITY				
Service cost	\$2,466,497			\$2,466,497
Interest	5,981,599	\$1,656		5,983,255
Difference between expected and actual experience	(282,321)	(1,342)		(283,663)
Benefits paid, including refunds of employee contributions	(3,944,998)	(4,142)		(3,949,140)
Net change in total pension liability	4,220,777	(3,828)		4,216,949
Total pension liability				
Beginning of year	88,404,608	27,945		88,432,553
End of year	\$92,625,385	\$24,117		\$92,649,502
Net pension liability (asset), end of year	\$21,709,144	\$(37,564)		\$21,671,580

Additional information on the retirement plans can be obtained from the 2019-2020 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, 2020:

	Campuses and Medical Centers	DOE National Laboratories	University of California
Retirees and beneficiaries receiving benefits	67,647	13,098	80,745
Inactive members entitled to, but not receiving benefits	90,464	8,692	99,156
Active members:			
Vested	78,786	1,769	80,555
Nonvested	53,643	755	54,398
Total active members	132,429	2,524	134,953
Total membership	290,540	24,314	314,854

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 contributions range from 7.0 percent to 9.0 percent. The University pays a uniform contribution rate of 14.0 percent of covered payroll on behalf of all UCRP members. The University contribution rate will be increased starting July 1, 2020 by 0.5 percent per year, on July 1st, for six years to 17.0 percent. UCLA contributions were \$1,187 million and \$977 million for 2020 and 2019, 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>	UCLA Campus and Medical Center *	Campuses and Medical Centers Total	DOE National Laboratories	University of California
At June 30, 2020				
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
Net pension liability	\$4,658,554	\$20,384,863	\$1,324,281	\$21,709,144
At June 30, 2019				
UCRP net position	\$14,060,146	\$61,056,391	\$9,222,572	\$70,278,963
Total pension liability	18,026,308	78,279,508	10,125,100	88,404,608
Net pension liability	\$3,966,162	\$17,223,117	\$902,528	\$18,125,645

*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, 2020 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	2.5%
Investment rate of return	6.75
Projected salary increases	3.65 - 5.95
Cost-of-living adjustments	2.0

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
Asset Class		
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
Total	100.0%	5.4%

Discount rate

The discount rate used to estimate the net pension liability as of June 30, 2020 and 2019 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, 2020 and 2019.

Sensitivity of the net pension liability to the discount rate assumption

The following presents the June 30, 2020 net pension liability of the University calculated using the June 30, 2020 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	\$34,168,932	\$21,709,144	\$11,433,511
UCRP (UCLA campus portion, including Medical center)*	7,505,990	4,658,554	2,310,263
UC-VERIP	(36,368)	(37,564)	(38,648)

*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
<i>At June 30, 2020</i>						
DEFERRED OUTFLOWS OF RESOURCES						
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
Total	\$1,513,758	\$6,584,121	\$295,167	\$6,879,288	\$1,997	\$6,881,285
DEFERRED INFLOWS OF RESOURCES						
Difference between expected and actual experience	\$95,290	\$230,127		\$230,127		\$230,127
Total	\$95,290	\$230,127		\$230,127		\$230,127

<i>(in thousands of dollars)</i>	UCLA CAMPUS AND MEDICAL CENTER*	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC- VERIP	TOTAL
<i>At June 30, 2019</i>						
DEFERRED OUTFLOWS OF RESOURCES						
Difference between expected and actual experience	\$105,133	\$451,810		\$451,810		\$451,810
Changes of assumptions or other inputs	1,348,898	5,796,896		5,796,896		5,796,896
Total	\$1,454,031	\$6,248,706		\$6,248,706		\$6,248,706
DEFERRED INFLOWS OF RESOURCES						
Difference between expected and actual experience	\$4,253	\$7,617		\$7,617		\$7,617
Net difference between projected and actual earnings on pension plan investment	63,874	114,396	\$8,955	123,351	\$109	123,460
Total	\$68,127	\$122,013	\$8,955	\$130,968	\$109	\$131,077

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

The net amount of deferred outflows of resources and deferred inflows of resources as of June 30, 2020 related to pensions that will be recognized in pension expense during the next four years are 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
2021	\$351,425	\$1,574,197	\$(7,016)	\$1,567,181	\$(148)	\$1,567,033
2022	494,969	2,217,204	99,971	2,317,175	701	2,317,876
2023	446,158	1,998,553	112,380	2,110,933	808	2,111,741
2024	125,916	564,040	89,832	653,872	636	654,508
Total	\$1,418,468	\$6,353,994	\$295,167	\$6,649,161	\$1,997	\$6,651,158

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

Defined Contribution Plan

Effective July 1, 2016, newly hired (or becoming eligible) employees can elect a defined contribution option 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 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. Employer contributions to the DC Plan were \$76.3 million and \$48.5 million for the years ended June 30, 2020 and 2019, 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 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, 2020 and 2019.

Pursuant to the March 27, 2020 adoption of the CARES Act, on May 20, 2020 The Regents approved an amendment to the DC Plan permitting qualified participants to request coronavirus-related in-service distributions, subject to restrictions defined under the CARES Act. The provisions of the CARES Act amendment are effective through December 31, 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 \$1.8 million and \$1.7 million for the years ended June 30, 2020 and 2019, respectively.

Pursuant to the March 27, 2020 adoption of the CARES Act, on May 20, 2020 The Regents approved amendments to the 403(b) Plan permitting qualified participants to request coronavirus-related loans, subject to restrictions defined under the CARES Act, and allow active participants with an outstanding plan loan a grace period of one year during which the participant may suspend any loan repayments that otherwise would have been owed. The provisions of the CARES Act amendments are effective through December 31, 2020.

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, 2020 and 2019.

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.

Pursuant to the March 27, 2020 adoption of the CARES Act, on May 20, 2020 The Regents approved an amendment to the 457(b) Plan permitting qualified participants to request coronavirus-related in-service distributions, subject to restrictions defined under the CARES Act. The provisions of the CARES Act amendment are effective through December 31, 2020.

University of California Voluntary Early Retirement Incentive Plan (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, 2020 and 2019.

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 plan. 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, 2020 is as follows:

<i>(in thousands of dollars)</i>	UCLA Campus and Medical Center *	Campuses and Medical Centers Total	LBNL	University of California
Contributions	\$118,206	\$527,421	\$21,354	\$548,775
Investment income, net	511	2,281		2,281
Total additions	118,717	529,702	21,354	551,056
Insurance premiums, net	(117,722)	(525,262)	(21,354)	(546,616)
Other deductions	(1,015)	(4,531)		(4,531)
Total deductions	(118,737)	(529,793)	\$(21,354)	(551,147)
Increase in net position held in UCRHBT	(20)	(91)		(91)
Net position held in UCRHBT, beginning of year	35,355	156,909		156,909
Net Position held in UCRHBT, end of year	\$35,335	\$156,818		\$156,818

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

<i>(in thousands of dollars)</i>	UCLA Campus and Medical Center *	Campuses and Medical Centers Total	LBNL	University of California
CHANGES IN TOTAL RETIREE HEALTH BENEFITS LIABILITY				
Service Cost	\$200,264	\$893,557	\$18,510	\$912,067
Interest	157,476	702,640	21,944	724,584
Difference between expected and actual experience	(353,587)	(1,474,623)	(64,516)	(1,539,139)
Changes of assumptions and other inputs	946,373	4,222,620	131,413	4,354,033
Benefits paid	(117,722)	(525,262)	(21,354)	(546,616)
Retiree contributions	18,627	83,111	3,055	86,166
Net change in total retiree health benefits liability	851,431	3,902,043	89,052	3,991,095
Total retiree health benefits liability				
Beginning of year	4,371,446	19,401,053	617,542	20,018,595
End of year	5,222,877	23,303,096	706,594	24,009,690
Net retiree health benefit liability, end of year	\$5,187,542	\$23,146,278	\$706,594	\$23,852,872

*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 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, 2020:

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	44,944	1,861	46,805
Active members entitled to, but not yet receiving benefits	134,808	2,380	137,188
Total membership	179,752	4,241	183,993

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 \$2.60 and \$2.70 per \$100 of UCRP covered payroll effective July 1, 2019 and 2018, 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:

(shown as percentage)	2020	2019
Discount rate	2.21%	3.5%
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 9.0 decreasing to an ultimate rate of 4.0 for 2076 and later years.	Initially ranges from 4.4 to 9.4 decreasing to an ultimate rate of 4.0 for 2077 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, 2020 and 2019 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, 2020 net retiree health benefits liability of the University calculated using the June 30, 2020 health care cost trend rate assumption with initial trend ranging from 2.7 percent to 9.0 percent grading down to an ultimate trend of 4.0 percent over 56 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:

	1% DECREASE (1.7% to 8.0%) DECREASING TO (3.0%)	CURRENT TREND (2.7% to 9.0%) DECREASING TO (4.0%)	1% INCREASE (3.7% to 10.0%) DECREASING TO (5.0%)
<i>(in thousands of dollars)</i>			
Net retiree health benefit liability: University of California	\$19,341,499	\$23,852,872	\$29,944,364
Net retiree health benefit liability: UCLA Campus and Medical Center	4,206,405	5,187,542	6,512,325

Discount rate

The discount rate used to estimate the net retiree health benefits liability as of June 30, 2020 and 2019 was 2.21 percent and 3.5 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, 2020 net retiree health benefits liability of the University calculated using the June 30, 2020 discount rate assumption of 2.21 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:

<i>(in thousands of dollars)</i>	1% DECREASE (1.21%)	CURRENT DISCOUNT (2.21%)	1% INCREASE (3.21%)
Net retiree health benefit liability: University of California	\$28,898,159	\$23,852,872	\$19,928,906
Net retiree health benefit liability: UCLA Campus and Medical Center	6,284,795	5,187,542	4,334,155

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:

2020

<i>(in thousands of dollars)</i>	UCLA Campus and Medical Center	Campuses and Medical Centers Total	LBNL	University of California
DEFERRED OUTFLOWS OF RESOURCES				
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
Total	\$1,583,860	\$6,837,371	\$175,348	\$7,012,719
DEFERRED INFLOWS OF RESOURCES				
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
Total	\$1,563,441	\$6,122,658	\$159,769	\$6,282,427

2019*(in thousands of dollars)*

	UCLA Campus and Medical Center	Campuses and Medical Centers Total	LBNL	University of California
DEFERRED OUTFLOWS OF RESOURCES				
Difference between expected and actual experience	\$14,541	\$64,528	\$3,200	\$67,728
Changes of assumptions or other inputs	904,785	3,743,309	94,691	3,838,000
Net difference between projected and actual earnings on plan investments	727	3,223		3,223
Total	\$920,053	\$3,811,060	\$97,891	\$3,908,951
DEFERRED INFLOWS OF RESOURCES				
Difference between expected and actual experience	\$669,039	\$2,969,290	\$83,537	\$3,052,827
Changes of assumptions or other inputs	824,417	2,779,110	64,446	2,843,556
Total	\$1,493,456	\$5,748,400	\$147,983	\$5,896,383

The net amount of deferred outflows of resources and deferred inflows of resources as of June 30, 2020 related to retiree health benefits that will be recognized in retiree health benefit expense during the next five years and thereafter are as follows:

	UCLA Campus and Medical Center	Campuses and Medical Centers Total	LBNL	University of California
<i>(in thousands of dollars)</i>				
2021	\$(745)	\$97,216	\$1,226	\$98,442
2022	(839)	96,800	(3,635)	93,165
2023	(922)	96,415	(563)	95,852
2024	(27,454)	(21,956)	10,334	(11,622)
2025	(64,221)	(196,568)	8,217	(188,351)
Thereafter	114,600	642,806		642,806
Total	\$20,419	\$714,713	\$15,579	\$730,292

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, 2020 and 2019, are as follows:

	UCLA		Foundations	
(in thousands of dollars)	2020	2019	2020	2019
Restricted				
Endowments	\$318,261	\$309,873	\$1,466,077	\$1,328,835
Annuity and life income	1,206	1,261		
Nonexpendable	319,467	311,134	1,466,077	1,328,835
Endowments	618,789	608,684	271,124	322,632
Funds functioning as endowments	706,969	693,009	622,783	603,895
Annuity and life income	641	619		
Gifts	367,974	354,813	673,442	669,142
Expendable	1,694,373	1,657,125	1,567,349	1,595,669
Total restricted	2,013,840	1,968,259	3,033,426	2,924,504
Unrestricted				
Endowments	2,184	2,158		
Funds functioning as endowments	1,028,170	1,033,681		
Gifts	668	691	609,898	487,705
Total unrestricted	1,031,022	1,036,530	609,898	487,705
Total	\$3,044,862	\$3,004,789	\$3,643,324	\$3,412,209

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 \$1.5 billion and \$1.4 billion at June 30, 2020 and 2019, 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 \$59.2 million and \$46.2 million for years ended June 30, 2020 and 2019, 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 \$58.8 million and \$41.5 million for the years ended June 30, 2020 and 2019, respectively. Accumulated endowment income available for spending in the future, including the annual income distribution, was \$97.8 million and \$92.4 million at June 30, 2020 and 2019, respectively.

UCLA foundations

During the years ended June 30, 2020 and 2019, gifts of \$283 million (\$85 million from endowment investments and \$198 million from current funds) and \$279 million (\$88 million from endowment investments and \$191 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, 2020 and 2019, are as follows:

<i>(in thousands of dollars)</i>	2020	2019
Instruction	\$3,064,264	\$2,774,592
Research	971,690	919,379
Public service	197,714	166,496
Academic support	1,065,632	893,171
Student services	227,627	215,059
Institutional support	278,938	240,709
Operations and maintenance of plant	126,992	111,842
Student financial aid	198,926	173,324
Medical Center	2,776,350	2,516,988
Auxiliary enterprises	425,293	433,932
Depreciation	415,889	407,185
Impairment of capital assets	3,550	1,080
Other	23,599	17,677
Total	\$9,776,464	\$8,871,434

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, 2020 and June 30, 2019 is as follows:

(in thousands of dollars)

	2020	2019
Revenue bonds outstanding	\$1,147,213	\$704,990
Related debt service payments	46,127	43,460
Bonds due serially through	2120	2049
CONDENSED STATEMENT OF NET POSITION		
Current assets	2,380,916	1,901,162
Capital assets, net	1,623,613	1,671,098
Other assets	599,181	140,421
Total assets	4,603,710	3,712,681
Total deferred outflows of resources	1,102,277	858,937
Current liabilities	789,137	503,481
Long-term debt	1,312,029	876,922
Other noncurrent liabilities	3,514,655	2,996,536
Total liabilities	5,615,821	4,376,939
Total deferred inflows of resources	576,245	547,364
Net investment in capital assets	736,002	762,330
Restricted	24,384	24,776
Unrestricted	(1,246,465)	(1,139,791)
Total net position	\$(486,079)	\$(352,685)

(in thousands of dollars)

	2020	2019
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	\$3,008,242	\$2,858,931
Operating expenses	(2,824,803)	(2,538,061)
Depreciation expense	(148,411)	(152,840)
Operating income	35,028	168,030
Nonoperating revenues, net	90,553	17,603
Income before other changes in net position	\$125,581	\$185,633
Health systems support	(282,396)	(218,228)
Changes in allocation for pension payable to University	18,180	3,866
Other, including donated assets	5,241	14,268
Decrease in net position	(133,394)	(14,461)
Net position - beginning of year	(352,685)	(338,224)
Net position - end of year	\$(486,079)	\$(352,685)
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	\$776,774	\$541,026
Noncapital financing activities	(179,422)	(212,664)
Capital and related financing activities	313,628	(166,534)
Investing activities	(429,559)	9,091
Net increase in cash and cash equivalents	481,421	170,919
Cash and cash equivalents - beginning of year	1,114,849	943,930
Cash and cash equivalents* - end of year	\$1,596,270	\$1,114,849

*Cash and cash equivalents on the medical center's 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, 2020 and 2019 is as follows:

	UCLA Foundations		
	UCLA Foundation*	Jonsson Cancer Center Foundation	Total
(in thousands of dollars)			
Year Ended June 30, 2020			
CONDENSED STATEMENT OF NET POSITION			
Current assets	\$693,180	\$12,951	\$706,131
Noncurrent assets	3,306,719	13,660	3,320,379
Total assets	3,999,899	26,611	4,026,510
Current liabilities	302,531	71	302,602
Noncurrent liabilities	32,975		32,975
Total liabilities	335,506	71	335,577
Total deferred inflow of resources	47,353	256	47,609
Restricted	3,017,767	15,659	3,033,426
Unrestricted	599,273	10,625	609,898
Total net position	\$3,617,040	\$26,284	\$3,643,324
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
Operating revenues	\$404,498	\$9,299	\$413,797
Operating expenses	(337,247)	(11,572)	(348,819)
Operating income (loss)	67,251	(2,273)	64,978
Nonoperating revenues	21,206	406	21,612
Income (loss) before other changes in net position	88,457	(1,867)	86,590
Permanent endowments	144,525		144,525
Increase (decrease) in net position	232,982	(1,867)	231,115
Net position - beginning of year	3,384,058	28,151	3,412,209
Net position - end of year	\$3,617,040	\$26,284	\$3,643,324
CONDENSED STATEMENT OF CASH FLOWS			
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)
Net increase (decrease) in cash and equivalents	(1,229)	74	(1,155)
Cash and equivalents-beginning of year	9,218	80	9,298
Cash and cash equivalents - end of year	\$7,989	\$154	\$8,143

*Net of investments held for JCCF

UCLA Foundations

(in thousands of dollars)

	UCLA Foundation*	Jonsson Cancer Center Foundation	Total
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Year ended June 30, 2019

CONDENSED STATEMENT OF NET POSITION

Current assets	\$661,282	\$12,178	\$673,460
Noncurrent assets	3,108,670	16,419	3,125,089
Total assets	3,769,952	28,597	3,798,549
Current liabilities	303,883	129	304,012
Noncurrent liabilities	32,166		32,166
Total liabilities	336,049	129	336,178
Total deferred inflow of resources	49,845	317	50,162
Restricted	2,906,758	17,746	2,924,504
Unrestricted	477,300	10,405	487,705
Total net position	\$3,384,058	\$28,151	\$3,412,209

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating revenues	\$334,414	\$13,256	\$347,670
Operating expenses	(314,611)	(15,397)	(330,008)
Operating income (loss)	19,803	(2,141)	17,662
Nonoperating revenues	94,740	741	95,481
Income (loss) before other changes in net position	114,543	(1,400)	113,143
Permanent endowments	122,232		122,232
Increase (decrease) in net position	236,775	(1,400)	235,375
Net position - June 30, 2018	3,147,283	29,551	3,176,834
Net position-June 30, 2019	\$3,384,058	\$28,151	\$3,412,209

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:			
Operating activities	\$9,367	\$(3,396)	\$5,971
Noncapital financing activities	115,297	(400)	114,897
Investing activities	(119,861)	3,692	(116,169)
Net increase (decrease) in cash and equivalents	4,803	(104)	4,699
Cash and cash equivalents – beginning of year	4,415	184	4,599
Cash and cash equivalents - end of year	\$9,218	\$80	\$9,298

*Net of investments held for JCCF

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.

15. COMMITMENTS AND CONTINGENCIES

Contractual commitments

Amounts committed but unexpended for construction projects totaled \$1.0 billion at June 30, 2020.

UCLA leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2020 and 2019 were \$79 million and \$88 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

2021	\$83,841
2022	72,030
2023	60,016
2024	46,062
2025	33,426
2026 - 2030	65,051
2031 - 2035	4,935
2036 - 2040	1,230
2041 - 2042	430
Total	\$367,021

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

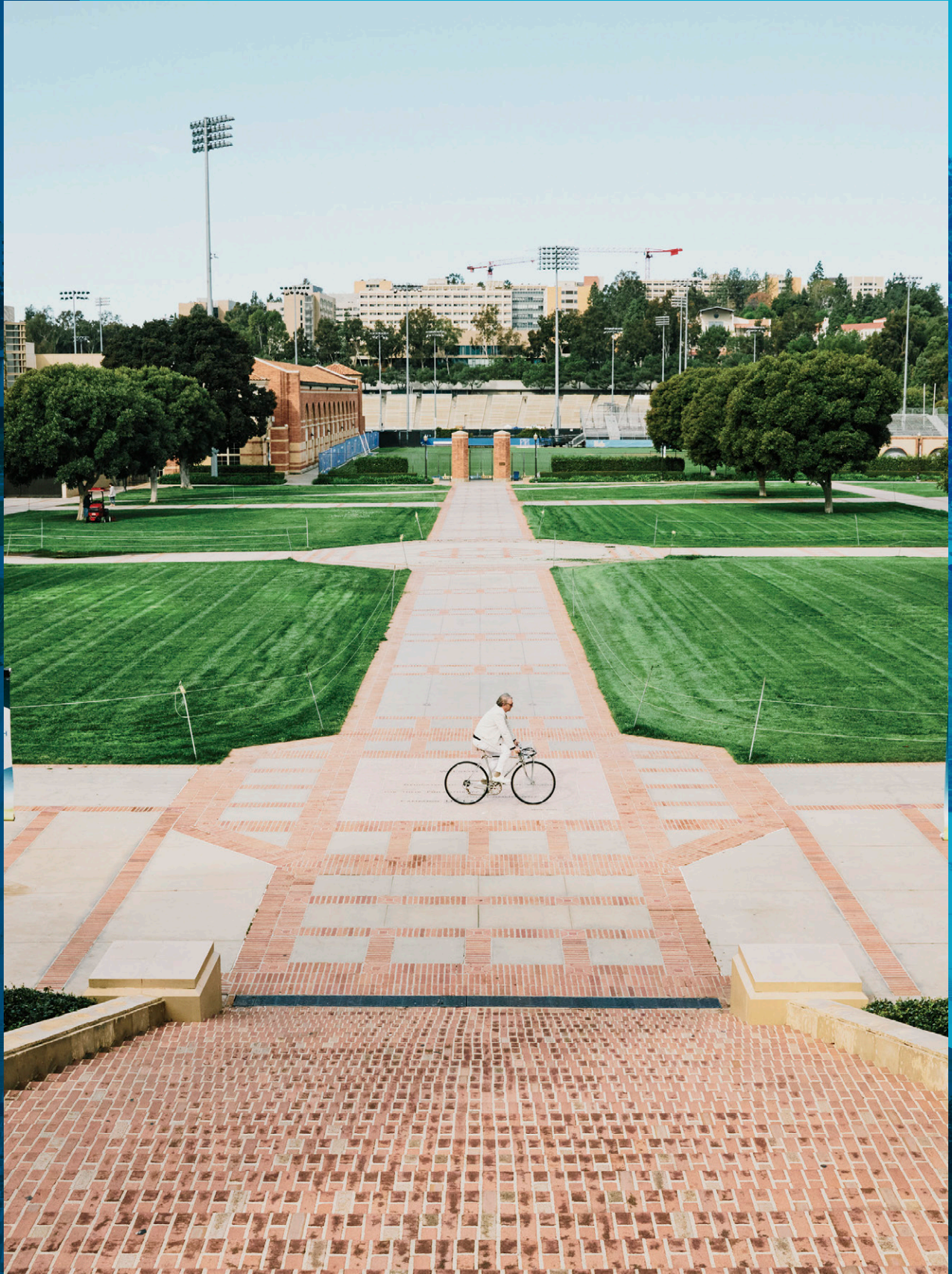
The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally, in the United States and California, including cities and counties throughout the state. On March 4, 2020, the Governor declared a state of emergency to help the state prepare and respond to COVID-19, and on March 19, 2020, the Governor issued a statewide order, Executive Order N-33-20, directing all residents to heed current state public health directives to stay home or at their place of residence except as needed to maintain continuity of operations of critical infrastructure sectors during the COVID-19 response. Such orders and restrictions have resulted 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 will affect financial results for 2021 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 markets, the ultimate impact may be material.

17. SUBSEQUENT EVENT

On September 19, 2020, the U.S. Department of Health and Human Services (HHS) released additional post-payment reporting rules for funds received from the CARES Act Provider Relief Fund (PRF). The new requirements require the University to first use PRF funds for health care related expenses attributable to coronavirus that another source has not reimbursed and is not obligated to reimburse, and only then, apply any remaining PRF funds not fully expended on health care related expenses attributable to coronavirus to lost revenues, represented as a negative change in year-over-year net patient care operating income, comparing calendar year 2020 to calendar year 2019. HHS is entitled to recoup PRF fund amounts not expended in full by June 30, 2021. Due to these new reporting requirements, there is at least a reasonable possibility that nonoperating revenues of \$145.6 million reported as direct grants under the PRF by UCLA may change in future periods.

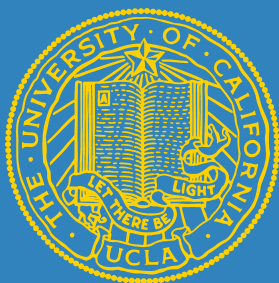
Required Supplementary Information

The required supplementary information can be obtained from the 2019-20 annual report of the University of California Retirement System, which can be obtained at: <http://reportingtransparency.universityofcalifornia.edu>.



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