ANNUAL FINANCIAL REPORT

2018 – 2019


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Contents

LETTER FROM THE CHANCELLOR

Last May, we kicked off a celebration unlike any other in UCLA's history with a year-long series of events and initiatives to commemorate our 100th anniversary and prepare for an even brighter future.

Our Centennial Celebrations took us to downtown Los Angeles, Sacramento and Washington, DC, in addition to cities across Europe, Asia and more with students, faculty, staff, alumni, parents, lawmakers, community leaders and friends. I am consistently inspired by the enthusiasm and love for UCLA that I see when I visit Bruins around the world. A major component of this celebration also includes several community initiatives that focus on our commitment to equity and service, highlighting our alumni, libraries and art collections.

As many in the UCLA community know, in 2014 we set a very ambitious goal to raise $4.2 billion through the Centennial Campaign for UCLA — at the time, the largest fundraising target for any public university. We are incredibly fortunate to have surpassed that goal ahead of schedule and in February 2020 we announced that UCLA has generated $5.49 billion in support for its public mission. We will continue to build on this momentum and fundraise for several priorities, including student scholarships.

I am also proud that UCLA continues to be recognized among the best universities in the world. Though 100 years may seem like a long time, UCLA is consistently the youngest university in prominent rankings, making our accomplishments all the more remarkable. UCLA was again named the number one public university by U.S. News & World Report and the Times Higher Education/Wall Street Journal ranking, in addition to No. 11 in the world (tied with Yale) in the ranking from Shanghai Jiao Tong University. We were also recognized as the top university for economic diversity and for veterans. UCLA's hospital system is equally impressive, being named No. 1 in Los Angeles and No. 6 in the nation by U.S. News & World Report.

In 2019, we saw the largest external support for campus research in our history, with nearly $1.3 billion in grants and contracts awarded. This increase was due to our faculty's innovative, world-class research projects and to two new, large awards from the National Institutes of Health and the U.S. Department of Energy.

During the 2018–19 fiscal year, UCLA's total operating and non-operating revenues were $8.6 billion, an increase of $900 million over the previous fiscal year. The largest portion, about 32.5 percent, came from the UCLA Medical Center, while educational activities as well as auxiliary enterprises like student housing, food service operations and parking supplied about 28.3 percent of our revenues. Grants and contracts contributed 12.2 percent, and student tuition and fees about 10.8 percent.

Despite this upward trajectory, there are challenges ahead for UCLA's financial outlook. We are facing a difficult budget period where revenue growth is unlikely to keep pace with inflation and expenses. We are proactively addressing this in a number of ways, including a $100 million savings and reallocation program mostly directed at administrative units, and we are looking to leverage the success of the Centennial Campaign to deploy more private funds towards our greatest needs. I am optimistic that these and other steps will ensure a strong financial future for UCLA.

Helping guide this strong future are several outstanding administrators we recently welcomed to our leadership team:

Scott Waugh stepped down as executive vice chancellor and provost in June after more than a decade of distinguished service and astute leadership in that role, and remains at UCLA to pursue his research and scholarship full time. Our new Executive Vice Chancellor and Provost Emily A. Carter began her independent academic career at UCLA in 1988, rising through the chemistry and biochemistry faculty ranks before moving to Princeton University in 2004. She was most recently dean of engineering and applied science there, and was jointly appointed in mechanical and aerospace engineering and in applied and computational mathematics. Dr. Carter also maintains a very active research portfolio to advance sustainable energy.

"As we look forward to all of the achievements to come in UCLA's second century, I am grateful to everyone in our Bruin family who has been part of our thrilling history. You are helping UCLA enter our next century well prepared to teach new generations of leaders, to discover tomorrow's groundbreaking advancements and to better serve the local and global communities."

Gene D. Block

A UCLA alumna, our new Vice Chancellor for Strategic Communications Mary Osako oversees marketing, media relations, executive communications, public outreach, special events and protocol, and helps maintain and enhance UCLA's reputation and brand as a world-class public research university. She has led complex communications efforts at some of the most innovative Fortune 500 companies, including Yahoo!, Amazon and Activision Blizzard.

Accomplished scholar and opera singer Eileen Strempel is the inaugural dean of the UCLA Herb Alpert School of Music, joining us from the University of Cincinnati where she was professor of voice and senior vice provost for academic affairs. And the new dean of the UCLA Anderson School of Management, Antonio Bernardo, has a long history as an active and engaged member of the Anderson faculty and its administration, having taught here since 1994.

Additionally, Vice Chancellor for Equity, Diversity and Inclusion Jerry Kang and Athletics Director Dan Guerrero have both announced they will step down from their posts in 2020. Searches are under way for their successors.

There were many noteworthy developments this fiscal year that furthered UCLA's mission of teaching, research and service. Among the highlights:

- The UCLA Samueli School of Engineering received its largest gift ever, $100 million, from longtime supporters Henry and Susan Samueli. This extraordinary gift will spur the school's planned expansion, enrolling more undergraduate and graduate students and adding new faculty in emerging research areas such as quantum technologies, engineering in medicine and sustainable and resilient urban systems.

- Construction continues on several exciting new housing projects that will increase the number of students and faculty housed on or near campus, with the goal of reaching a four-year housing guarantee for incoming freshmen.

- In just one example of UCLA's service to the community, our 10th annual Volunteer Day in 2018 was, for the first time, a global day of service. Bruins gave back at 70 sites throughout Los Angeles and worldwide, including in Namibia and Hong Kong.

Additionally, our softball and beach volleyball teams each brought home national titles in 2019, bringing our total NCAA team championship count to 118. And we are pleased to grow our commitment to supporting our student-athletes' scholarly pursuits through a proposed academic center generously supported by and named after music industry executive and philanthropist Morris "Mo" Ostin.

Finally, we have remained committed to providing opportunity and motivating students from all backgrounds to pursue higher education. In May, we were honored to host the inspirational College Signing Day at Pauley Pavilion, where former First Lady Michelle Obama and numerous celebrities addressed nearly 10,000 high school seniors and transfer students from across the state who have committed to going to college. Many of the students were from low-income, underrepresented or first-generation college-going backgrounds who overcame significant odds to reach this incredible milestone in their lives.

As we look forward to all of the achievements to come in UCLA's second century, I am grateful to everyone in our Bruin family who has been part of our thrilling history. You are helping UCLA enter our next century well prepared to teach new generations of leaders, to discover tomorrow's groundbreaking advancements and to better serve the local and global communities.

Sincerely,

Gene D Block

Gene D. Block
Chancellor

CAMPUS AND FINANCIAL HIGHLIGHTS

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Years ended, 2019 and 2018 (in millions of dollars)	2019	2018
CAMPUS LAND AREA	419 acres	419 acres
ENROLLMENT - FALL QUARTER		
Undergraduates	31,577	31,002
Graduates, and Interns and Residents	14,353	14,426
EMPLOYEE COUNT		
Full-Time Equivalent (includes over 7,000 casuals and students)	37,176	36,587
NET POSITION		
Beginning of Year	$318	$83
End of Year	$(23)	$318
ASSETS:		
Total Current Assets	$2,055	$2,194
Total Noncurrent Assets and Deferred Outflows	$14,220	$12,413
	$16,275	$14,607
LIABILITIES:		
Total Current Liabilities	$1,467	$1,463
Total Noncurrent Liabilities and Deferred Inflows	$14,831	$12,826
	$16,298	$14,289
REVENUE:		
Operating Revenue	$7,449	$6,717
Nonoperating Revenue (Core Activities)	$1,147	$1,012
	$8,596	$7,729
Principal Sources of Operating Revenue:		
Student Tuition and Fees	$929	$888
Grants and Contracts	$1,049	$1,016
Sales and Services	$5,228	$4,597
Principal Sources of Nonoperating Revenue:		
State Educational Appropriations	$493	$448
EXPENDITURES:		
Operating Expense	$8,871	$7,647
Nonoperating Expense (Core Activities)	$143	$173
	$9,014	$7,820
Principal Operating Expenditures:		
Salaries and Wages	$3,970	$3,706
Benefits	$2,042	$1,343
Supplies and Materials	$1,058	$947

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, 2019, with selected comparative information for the years ended June 30, 2018 and 2017. 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 (2017, 2018, 2019, 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 can be found in the separately issued audited financial statements at www.uclafoundation.org, and the Jonsson Cancer Center Foundation (JCCF) separately issued audited financial statements can be found at 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 $38.5 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 $8.5 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 45,900 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

Professional Schools
Graduate School of Education & Information Studies
Henry Samueli School of Engineering & Applied Sciences
John E. Anderson Graduate 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 2018-19 academic year, UCLA offered approximately 7,200 different undergraduate and graduate courses in 183 subject areas, producing more than 437,000 enrollments in primary classes and 219,000 enrollments in laboratory and discussion sections over the course of the year. 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 6,100 research projects are being conducted on campus at any given time. For 2019, UCLA expenditures for research were approximately $919 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 5,660 continuing education courses annually, covering professional and career development, academic enrichment, and personal growth, attracting almost 32,000 individual students from the communities of Southern California and worldwide.

UCLA employed over 48,700 faculty, administrators and staff (including casual and student employees), filling approximately 37,200 full-time-equivalent positions, and spent $6.0 billion in compensation costs for the fiscal year ended June 30, 2019. UCLA's employees are distinguished for their contributions to education, research, and public service.

Distinguished honors and awards to UCLA alumni and faculty include:

- 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 2019, UCLA's on-campus physical plant included 7 on-campus buildings under construction, along with 221 existing buildings. Off campus, UCLA owns or manages 150 buildings and has 202 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 six hospitals in the nation and is placed No. 1 in both Los Angeles and California. It is nationally ranked in 14 adult and 10 pediatric specialties and rated high performing in 8 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:

	2019	2018	Increase / (Decrease) Amount	%
Operating Statistics				
Licensed beds	800	784	16	2.0%
Admissions	40,265	40,438	(173)	(0.4)%
Average daily census	730	729	1	0.1%
Discharges	40,233	40,526	(293)	(0.7)%
Average length of stay	6.6	6.6		
Patient days	266,559	266,020	539	0.2%
Case mix index	2.09	2.03	0.06	3.0%
Outpatient visits	796,929	775,952	20,977	2.7%
Outpatient Visits				
Hospitals and clinics	715,105	693,053	22,052	3.2%
Emergency visits	81,824	82,899	(1,075)	(1.3)%
Total	**796,929**	**775,952**	**20,977**	**2.7%**

An overview – The following table reflects the composition of UCLA for 2019, listing enrollment figures, full-time-equivalent employee figures, and operating expenses by organization.

(in millions of dollars)	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	26,109	2,785	3,717	$368	$196	$118	$682
School of the Arts and Architecture	637	367	477	37	21	16	74
School of Dentistry		476	391	41	20	25	86
School of Education & Information Studies		789	528	44	25	21	90
School of Engineering & Applied Science	3,906	2,237	916	94	53	39	186
School of Law		1,155	315	44	23	32	99
School of Management		2,285	340	68	37	54	159
School of Medicine		2,221	8,978	1,212	529	645	2,386
School of Nursing	195	420	128	14	7	5	26
School of Public Affairs	73	507	199	22	12	17	51
School of Public Health		617	319	34	19	24	77
School of Theater, Film and Television	359	342	286	25	13	10	48
Basic Biomedical Sciences		3	192	18	10	14	42
School of Music	298	149	159	17	9	5	31
Neuropsychiatric Hospital			366	42	30	14	86
Semel Institute			800	72	41	47	160
Medical Center			9,399	1,035	575	975	2,585
University Extension			345	37	21	36	94
All Others			9,321	746	401	336	1,483
Subtotal Organizations	31,577	14,353	37,176	3,970	2,042	2,433	8,445
Depreciation Expense						407	407
Other Operational Expenditures						19	19
Total	**31,577**	**14,353**	**37,176**	**$3,970**	**$2,042**	**$2,859**	**$8,871**

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 CAMPUS' FINANCIAL POSITION *(in millions of dollars)*

The major components of the assets, deferred outflows, liabilities, deferred inflows, and net position as of June 30, 2019, 2018, and 2017 are as follows:

Assets, deferred outflows & inflows, liabilities, net position

(in millions of dollars)	**2019**	**2018**	**2017**
ASSETS			
Investments	$6,129	$6,055	$5,934
Accounts receivable, net	975	865	922
Capital assets, net	6,335	6,237	6,179
Other assets	357	300	267
Total assets	**13,796**	**13,457**	**13,302**
DEFERRED OUTFLOWS OF RESOURCES	**2,478**	**1,151**	**1,368**
LIABILITIES			
Debt, including commercial paper	3,479	3,544	3,653
Net pension liability, including pension payable to UCOP	5,015	3,118	3,269
Net retiree health benefits liability	4,336	4,254	4,354
Other liabilities	1,467	1,505	1,459
Total liabilities	**14,297**	**12,421**	**12,735**
DEFERRED INFLOWS OF RESOURCES	**2,001**	**1,869**	**1,852**
NET POSITION			
Net investment in capital assets	3,241	3,120	2,951
Restricted:			
Nonexpendable	311	299	283
Expendable	1,658	1,840	1,363
Unrestricted	(5,233)	(4,941)	(4,514)
Total net position	**$(23)**	**$318**	**$83**

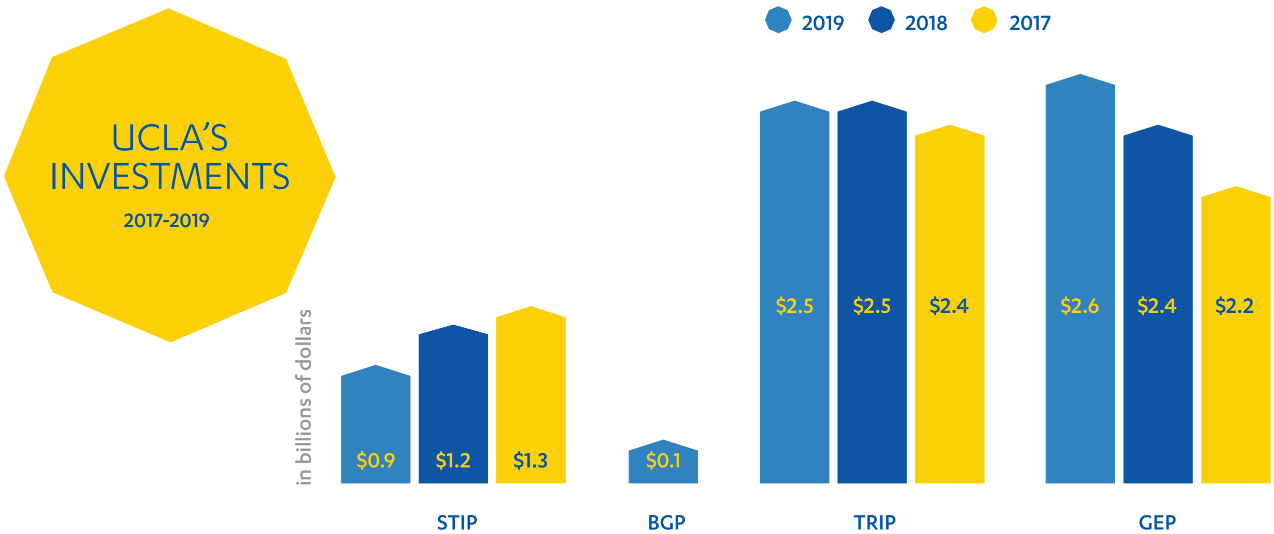
The campus' assets and deferred outflows

UCLA's total assets and deferred outflows of resources have increased to $16.3 billion in 2019, compared to $14.6 billion in 2018 and $14.7 billion in 2017. Capital assets have increased due to continued investments in facilities in excess of depreciation. Investments increased due to positive financial market returns. Deferred outflows fluctuate 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 and BGP provide 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 and BGP while still maintaining sufficient funds in STIP to meet operational and liquidity needs. 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 8.2 percent in 2019, 8.9 percent in 2018 and 15.1 percent in 2017. BGP commenced operations on April 1, 2019 and had a positive return of 3.5 percent from inception through June 30, 2019. TRIP had positive returns of 6.3 percent, 4.5 percent and 7.7 percent in 2019, 2018, and 2017, respectively. STIP had positive returns of 2.2 percent, 2.0 percent and 1.3 percent in 2019, 2018, and 2017, 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, investment income, and amounts due for private grants and contracts. Receivables fluctuate based on the timing of collections. In 2019, Medical Center accounts receivable increased consistent with the growth in revenues due to higher inpatient days and outpatient volumes.

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 $516 million in 2019 as compared to $455 million in 2018 and $506 million in 2017. Completed buildings and improvements in 2019 include the Center for the Health Sciences: School of Medicine West Seismic Renovation for $32 million.

Major projects under construction include the Margan Apartments Redevelopment with cumulative costs of $41 million and Anderson School of Management Addition with cumulative costs of $54 million as of FY 2019.

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 2019, deferred outflows increased primarily due to changes in assumptions from the experience study for the University of California Retirement Plan (UCRP). In 2018, deferred outflows decreased due to higher than expected investment returns for the UCRP portfolio and an increase in the discount rate for the retiree health benefit liability.

The campus' liabilities and deferred inflows

UCLA's liabilities and deferred inflows of resources increased to $16.3 billion in 2019 as compared to $14.3 billion in 2018 and $14.6 billion in 2017. The change in 2019 was primarily related to the increases in the liability for pension benefits and other liabilities. In 2018, the decrease was primarily related to decreases in the liabilities for pension and retiree health benefits.

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 decreased by $64 million and $109 million in 2019 and 2018, respectively.

UCLA's debt, which is used to primarily finance capital assets, includes $19 million, $3 million, and $80 million of commercial paper outstanding at the end of 2019, 2018, and 2017, respectively. Total debt outstanding was $3.5 billion at the end of 2019 and 2018 compared to $3.7 billion at the end of 2017.

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, all with stable outlooks. 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, all with stable outlooks.

Commercial paper borrowings increased $16 million in 2019 compared to 2018, and decreased by $76 million in 2018 compared to 2017. 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 $1.1 billion 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 $4.0 billion, $2.2 billion, and $2.4 billion in 2019, 2018, and 2017, respectively. 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 decrease in net pension liability for 2018 was primarily driven by higher than expected investment returns on the UCRP investment portfolio. The total investment rate of return for UCRP was 6.0 percent in 2019, 7.8 percent in 2018 and 14.5 percent in 2017. The discount rate used to estimate the net pension liability was 6.75, 7.25 and 7.25 percent in 2019, 2018 and 2017, respectively.

UCLA's net retiree health benefits liability was $4.3 billion, $4.3 billion, and $4.4 billion in 2019, 2018, and 2017, respectively. While retiree health benefits are not a legal obligation of the University and can be cancelled or modified at any time, accounting standards require the University to recognize a net retiree health liability based on the current practices of providing retiree health benefits. The University funds the retiree health benefits through the University of California Retiree Health Benefit Trust (UCRHBT) based on a projection of benefits on a pay-as-you-go basis and the assets in the trust are not sufficient to fund retiree health benefits. Therefore, the Bond Buyer 20-year tax-exempt general obligation municipal-bond index rate is used to discount the retiree health benefits liabilities. The 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 change in the net retiree health benefits liability in 2018 was primarily driven by the lower than expected health care cost increases and the change in discount rate used to estimate the retiree health benefits liability. The discount rates as of June 30, 2019, 2018 and 2017 were 3.50 percent, 3.87 percent and 3.58 percent, respectively.

Other liabilities

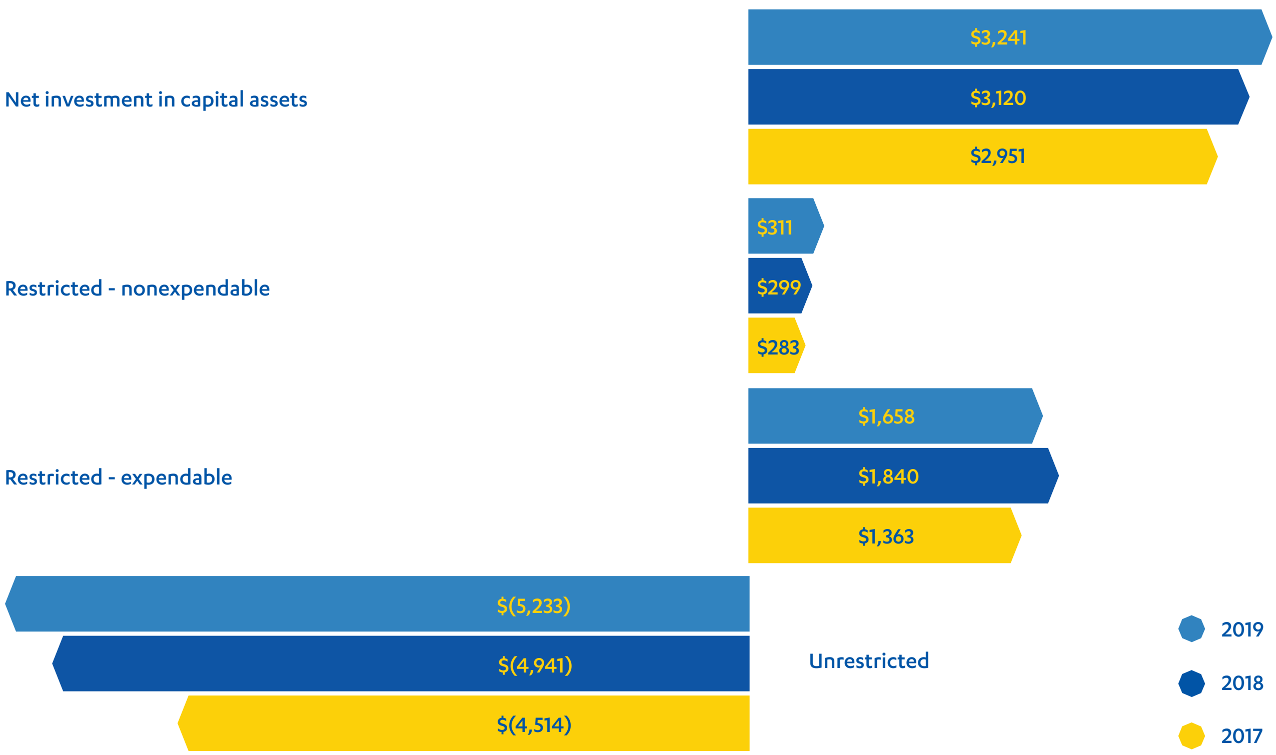
Other liabilities consist of accounts payable, accrued salaries, other employee benefits, unearned revenue, federal refundable loans, and self-insurance liabilities. Other liabilities were $1.5 billion for 2019, 2018, and 2017.

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 *(in millions of dollars)*

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 $23 million in 2019, compared to $318 million in 2018 and $83 million in 2017. 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 $3.2 billion in 2019 compared to $3.1 billion in 2018 and $3.0 billion in 2017. UCLA continues to invest in its physical facilities, which are, in part, financed by debt, to support growth.

Restricted, nonexpendable

Restricted, nonexpendable net position includes the corpus of UCLA's permanent endowments. In 2019 and 2018, the increases in restricted nonexpendable net position were principally due to the receipt of new gifts.

Restricted, expendable

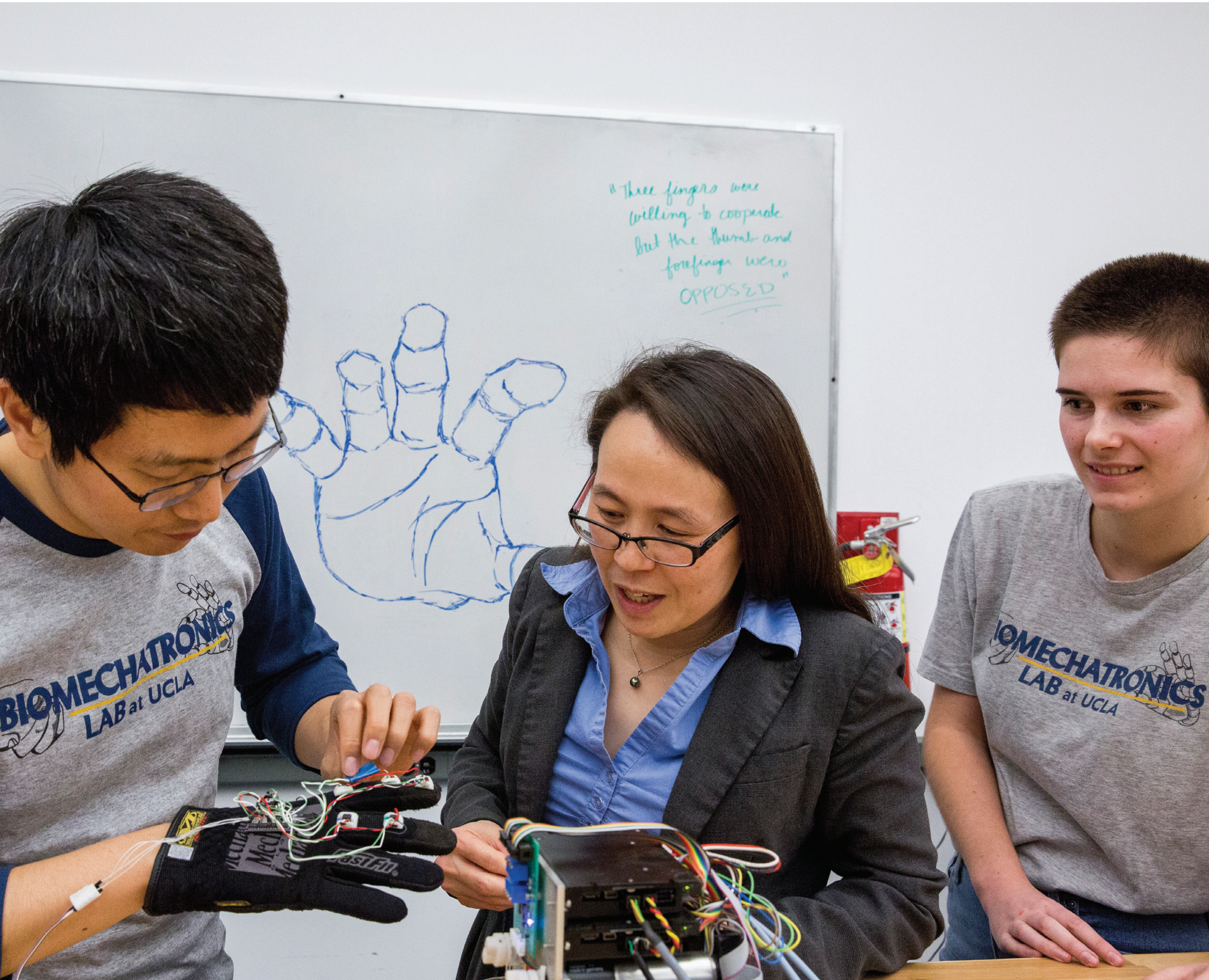
Restricted, expendable net position is subject to externally imposed restrictions governing their use. Net position may be spent only in accordance with the restrictions placed upon them and may include endowment income and gains, subject to the University's spending policy; support received from gifts, 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 2019, 2018, and 2017, arranged in a format that matches the revenue supporting the core activities of UCLA with the expenses associated with core activities, is as follows:



Operating Results 2017-2019

	Year Ended June 30, 2019			Year Ended June 30, 2018			Year Ended June 30, 2017		
(in millions of dollars)	**Operating**	**Non-operating**	**Total**	**Operating**	**Non-operating**	**Total**	**Operating**	**Non-operating**	**Total**
REVENUES									
Student tuition and fees, net	$929		$929	$888		$888	$860		$860
State educational appropriations		$493	493		$448	448		$511	511
Federal Pell Grants		56	56		57	57		50	50
Grants and contracts, net	1,049		1,049	1,016		1,016	948		948
Medical Center, net	2,797		2,797	2,415		2,415	2,403		2,403
Educational activities, net	1,959		1,959	1,705		1,705	1,549		1,549
Auxiliary enterprises, net	472		472	477		477	454		454
Private gifts, net		367	367		379	379		308	308
Investment income, net		194	194		116	116		101	101
Other revenues	243	37	280	216	12	228	309	14	323
Revenues supporting core activities	**7,449**	**1,147**	**8,596**	**6,717**	**1,012**	**7,729**	**6,523**	**984**	**7,507**
EXPENSES									
Salaries and wages	3,970		3,970	3,706		3,706	3,561		3,561
Benefits	2,042		2,042	1,343		1,343	1,534		1,534
Scholarships and fellowships	154		154	135		135	142		142
Utilities	62		62	57		57	54		54
Supplies and materials	1,058		1,058	947		947	848		848
Depreciation and amortization	407		407	389		389	375		375
Interest expense		133	133		134	134		138	138
Other expenses	1,178	10	1,188	1,070	39	1,109	1,104	27	1,131
Expenses associated with core activities	**8,871**	**143**	**9,014**	**7,647**	**173**	**7,820**	**7,618**	**165**	**7,783**
Income (loss) from core activities	**(1,422)**	**1,004**	**(418)**	**(930)**	**839**	**(91)**	**(1,095)**	**819**	**(276)**
OTHER NONOPERATING ACTIVITIES									
Net appreciation in fair value of investments			266			191			364
Income (loss) before other changes in net position			**(152)**			**100**			**88**
OTHER CHANGES IN NET POSITION									
State capital appropriations									1
Capital gifts and grants, net			20			28			35
Permanent endowments			11			16			7
Transfers			(220)			91			190
Increase (decrease) in net position			**(341)**			**235**			**321**
NET POSITION									
Beginning of year			318			83			(238)
End of year			**$(23)**			**$318**			**$83**

REVENUES SUPPORTING CORE ACTIVITIES

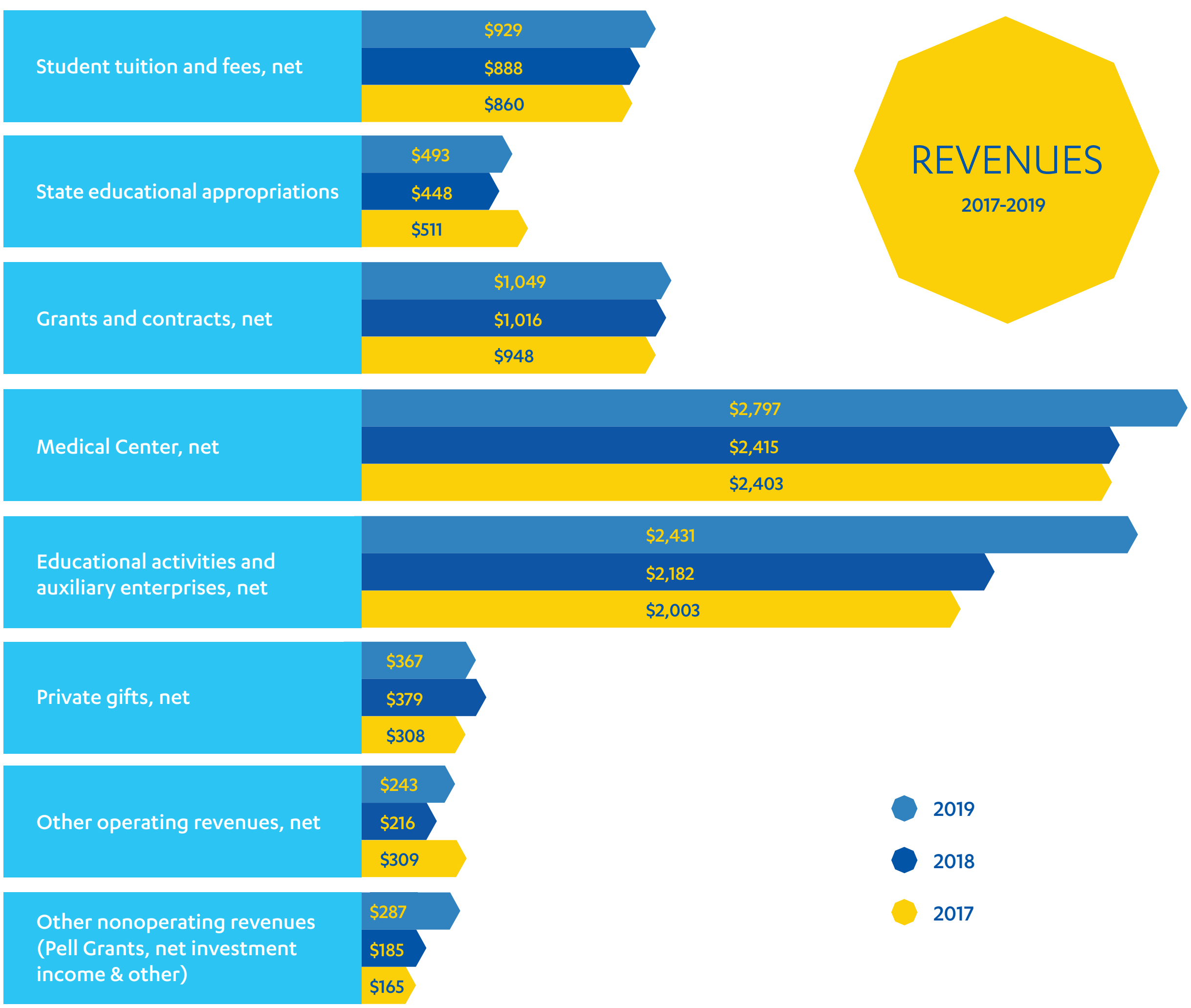
Revenues to support UCLA's core activities, including those classified as nonoperating revenues, were $8.6 billion, $7.7 billion, and $7.5 billion in 2019, 2018, and 2017, respectively. These diversified sources of revenue increased by $867 million in 2019 and $222 million in 2018.

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.

Revenues in the various categories have changed as follows:

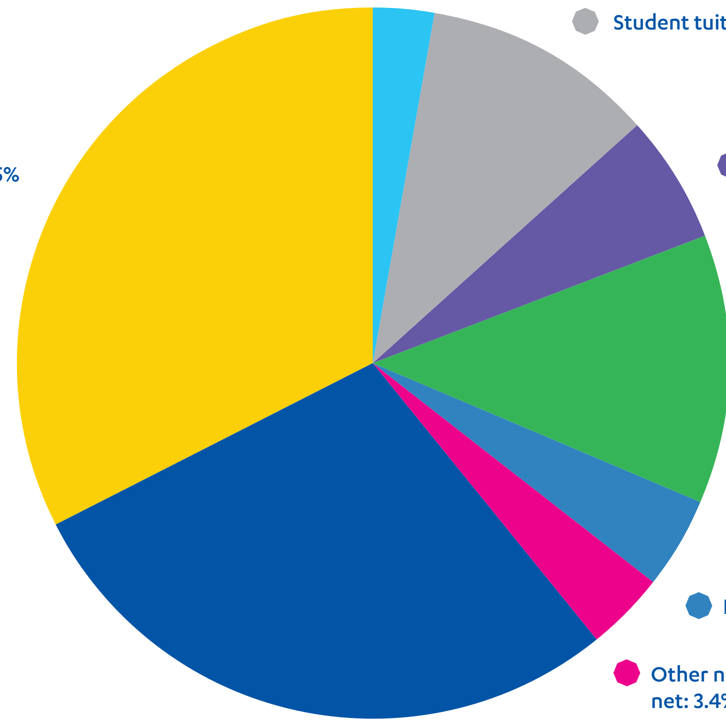
Revenues (in millions of dollars)



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 support UCLA's core activities in 2019 are as follows:

2019 Revenues (percent of total)



Student tuition and fees, net

Net student tuition and fees were $929 million, $888 million, and $860 million in 2019, 2018, and 2017, 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 $215 million, $226 million, and $212 million in 2019, 2018, and 2017, respectively. Student tuition and fees, net of scholarship allowances, increased by $41 million and $28 million in 2019 and 2018, respectively, due to enrollment growth.

Student Tuition and Fees, Net

(in millions of dollars)	**2019**	**2018**	**2017**
Student tuition and fees	$1,009	$976	$933
Summer Sessions	52	52	50
University Extension	83	86	89
Scholarship allowance	(215)	(226)	(212)
Total	**$929**	**$888**	**$860**

Enrollment grew by 1.1 percent in 2019 and 2018. Mandatory tuition for resident undergraduates decreased 0.5 percent in 2019 and increased 2.5 in 2018. 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 2019, 2018, and 2017.

State educational appropriations

Educational appropriations from the state of California were $493 million, $448 million, and $511 million in 2019, 2018, and 2017, respectively. State educational appropriations increased in 2019 by $45 million, and decreased in 2018 by $63 million. State educational appropriations include $39 million and $43 million in 2018 and 2017, respectively, as in one-time funds for UCRP.

Grants and contracts, net

Revenue from federal, state, private, and local government grants and contracts—including an overall facilities and administration cost recovery of $206 million, $199 million, and $189 million in 2019, 2018, and 2017, respectively—were $1,049 million, $1,016 million, and $948 million in 2019, 2018, and 2017, respectively.

Grants and Contracts

(in millions of dollars)	**2019**	**2018**	**2017**
Federal government	$630	$602	$589
State agencies	68	80	56
Private industries	276	272	241
Local government	75	62	62
Total	**$1,049**	**$1,016**	**$948**

In 2019, federal grants and contracts revenue increased $28 million, or 4.7 percent, as compared to 2018. In 2018, federal grants and contracts revenue increased $13 million, or 2.2 percent, as compared to 2017. Federal grants and contracts include federal facilities and administrative cost recovery of $144 million, $140 million, and $136 million in 2019, 2018, and 2017, respectively. Changes in the federal budget impact UCLA's growth in federal grants and contracts.

Medical Center, net

Medical center revenues, net of allowances, increased $382 million, or 15.8% percent, in 2019 and increased $12 million, or 0.5% percent, in 2018. Revenues increased in 2019 due to price increases, rural designation, and one-time third party settlements. Revenues increased in 2018 due to an increase in clinical laboratory revenue and additional supplemental funding.

Educational activities and auxiliary enterprises, net

Revenue from educational activities, primarily medical professional fees, net of allowances, increased by $254 million, or 14.9 percent, in 2019 and $156 million, or 10.1 percent, in 2018. The growth 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 $5 million, or 1.0 percent, in 2019 and increased by $23 million, or 5.1 percent, in 2018.

EXPENSES ASSOCIATED WITH CORE ACTIVITIES

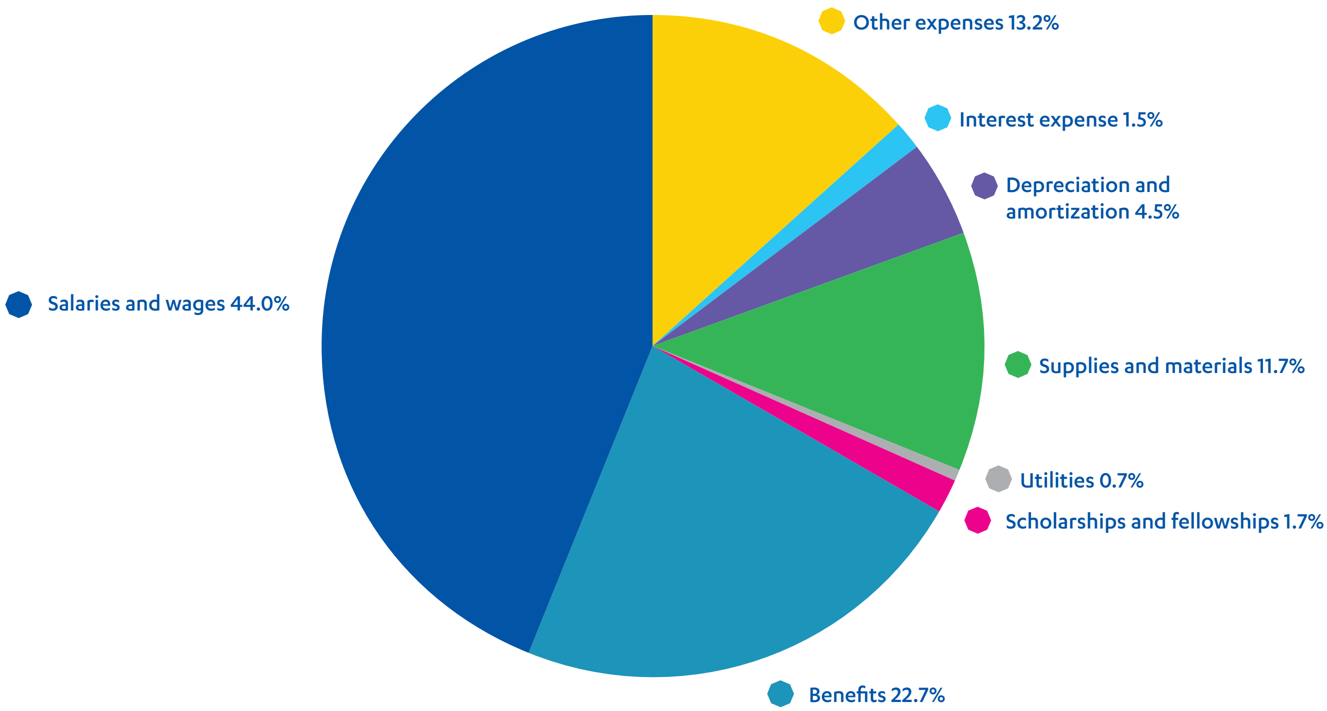
Expenses associated with UCLA's core activities, including those classified as nonoperating expenses, were $9.0 billion, $7.8 billion, and $7.8 billion in 2019, 2018, and 2017, respectively. Expenses increased in 2019 by $1,194 million and in 2018 by $37 million. UCLA's operations continue to grow, principally at the Medical Center, and salaries and employee benefits increased consistent with overall growth in operations. In 2019, pension expense, representing the largest change, increased $665 million due to changes in assumptions as a result of the experience study.

Expenses in the various categories are as follows:

Expenses (in millions of dollars)

Categories of both operating and nonoperating expenses related to UCLA's core activities in 2019 are as follows:

2019 Expenditures (percent of total)



Salaries and benefits

Approximately 66.7 percent of UCLA's expenses were related to salaries and benefits.

Salaries and benefits increased by 19.1 percent in 2019. 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 post-retirement 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 213.0 percent, due to changes in assumptions related to the experience study. Retiree health benefits expense decreased by $33 million, or 10.9 percent, due to the decrease in the discount rate offset by reducing the inflation assumption in 2019.

Salaries and benefits decreased by 0.9% percent in 2018. In 2018, salaries increased by 4.0 percent, primarily due to an increase in the average salary per FTE. Employee benefits, excluding pension and post-retirement health care benefits, increased by $32 million, or 4.5 percent in 2018, due to higher health insurance costs. Pension expense decreased by $156 million, or 33.3 percent, due to better than expected investment returns. Retiree health expense decreased by $66 million, or 17.9 percent, due to the higher discount rate in 2018.

UCLA transitioned to UCPath, a new payroll, benefits, human resources, and academic personnel system in fiscal year 2019. As a result of the transition, the majority of payroll expenses and liabilities were paid at once as opposed to paying within 30 to 60 days causing a favorable variance of $162 million in accrued salaries and benefits 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 $420 million, $402 million, and $397 million in 2019, 2018, and 2017, respectively. Scholarships and fellowships, representing payments of financial aid made directly to students and reported as an operating expense, were $154 million, $135 million, and $142 million in 2019, 2018, and 2017, respectively. On a combined basis, as UCLA continues its commitment to provide financial support for needy students, financial aid in all forms increased by $18 million, or 4.4 percent, in 2019 as compared to 2018, and by $5 million, or 1.4 percent, in 2018 compared to 2017. Increases in financial aid, scholarships and fellowships in both 2019 and 2018 are consistent with increases in enrollment, tuition and fees and housing cost since UCLA's practice is to minimize the impact of cost increases on first-generation and low-income students.

Supplies and materials

During 2019 and 2018, supplies and materials increased by $111 million, or 11.7 percent, and $99 million, or 11.7 percent, respectively. The largest increases occurred at the Medical Center due to higher patient days. 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 $1.4 billion, $0.9 billion, and $1.1 billion in 2019, 2018, and 2017, respectively. The operating losses in 2019, 2018, and 2017 were offset by $1,004 million, $839 million, and $819 million, respectively, of net nonoperating revenue that supports core operating activities of UCLA. In 2019, 2018, and 2017, expenses exceeded revenue associated with core activities by $418 million, $91 million, and $276 million, respectively. These fluctuations have been primarily driven by changes in pension expenses.

Other nonoperating activities

UCLA's other nonoperating activities, consisting of net appreciation in the fair value of investments, are noncash transactions and, therefore, are not available to support operating expenses. In 2019, 2018, and 2017, UCLA recognized net appreciation in the fair value of investments of $266 million, $191 million, and $364 million, respectively. The University's portfolio experienced positive returns in the equity markets.

Other changes in net position

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

THE CAMPUS' CASH FLOWS

The Statement of Cash Flows presents the significant sources and uses of cash. A summary comparison of cash flows for 2019 and 2018 is as follows:

The Campus' Cash Flows

Cash flows *(in millions of dollars)*	**2019**	**2018**	**Change**
Cash received from operations	$7,280	$6,664	$616
Cash payments for operations	(7,936)	(7,115)	(821)
Net cash used by operating activities	**(656)**	**(451)**	**(205)**
Net cash provided by noncapital financing activities	986	939	47
Net cash provided by operating and noncapital financing activities	**330**	**488**	**(158)**
Net cash used by capital and related financing activities	(613)	(618)	5
Net cash provided by investing activities	19	21	(2)
Net decrease in cash and cash equivalent	**(264)**	**(109)**	**(155)**
Cash and cash equivalent, beginning of year	1,169	1,278	(109)
Cash and cash equivalent, end of year	**$905**	**$1,169**	**$(264)**

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 $330 million and $488 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 $613 million was used in 2019 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. $100 million of STIP was transferred to the University to invest into an unrestricted Fund Functioning as Endowment (FFE).

LOOKING FORWARD

UCLA, as part of the University of California system, 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 Governor signed the 2019-20 State Budget Act on June 27, 2019. State funds allocated to the University totaled $3.9 billion, which includes an increase of 7.1 percent, or $247.5 million in new ongoing support. The additional funds address general operating cost increases, increasing enrollment by 4,860 new California undergraduates above 2018-19 levels by 2020-21 and various other programs. The Budget Act also includes $215.1 million in one-time funding for various programs across the University including $143.5 million for deferred maintenance.

For UCLA, the Permanent State General Fund allocation totaled $451.7 million for fiscal year 2019-20. The Budget Act also includes $65.2 million in one-time funding for various programs across UCLA including $26.7 million for deferred maintenance.

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 has a positive operating margin, although it 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 cost of providing health care services continues to increase significantly. In addition to the rising costs of salaries, benefits, and medical supplies, 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 budget information can be found at http://universityofcalifornia.edu/news/budget/welcome.html. 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.


UCLA
BRUIN
DAY
YOUR FUTURE
IS BRUIN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BRUIN
DAY
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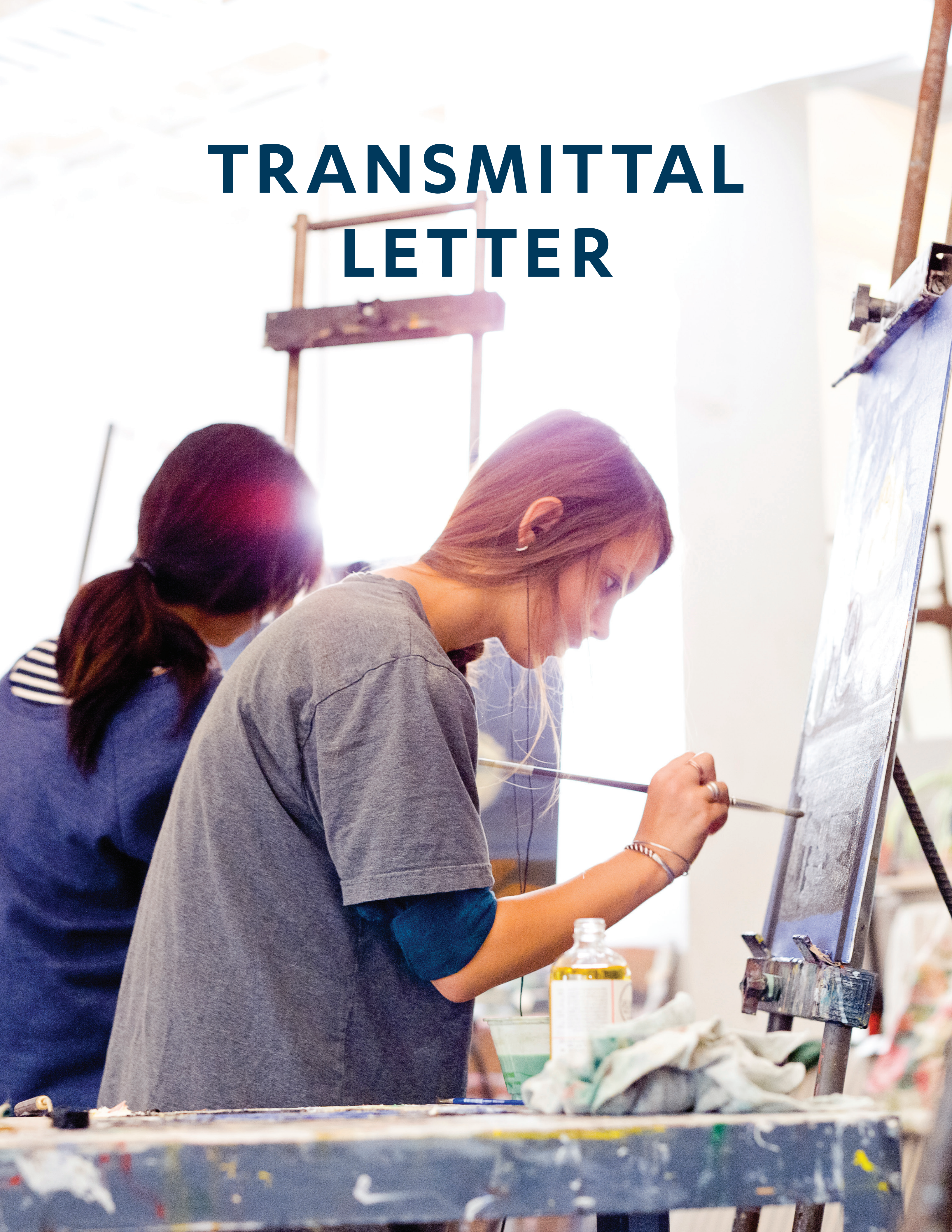
TRANSMITTAL LETTER



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, 2019 and 2018.

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 "Foundation."

Respectfully submitted,

Allison Baird-James
Associate Vice Chancellor/Controller
Corporate Financial Services

FINANCIAL STATEMENTS

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

	Campus		Foundation	
At June 30, 2019 and 2018 (in thousands of dollars)	**2019**	**2018**	**2019**	**2018**
ASSETS				
Cash	$25,375	$16,290	$9,298	$4,599
Short-term investments	879,526	1,152,597	555,455	596,625
Investments held by trustees	175	167		
Accounts receivable, net	975,372	865,434	15,836	5,267
Pledges receivable, net	7,013	5,217	92,845	79,368
Current portion of notes and mortgages receivable, net	8,369	7,142		
Inventories	79,068	62,053		
Other current assets	80,473	85,297		
Current Assets	**2,055,371**	**2,194,197**	**673,434**	**685,859**
Investments	5,249,146	4,902,079	2,716,980	2,431,456
Investments held by trustees	774	759		
Pledges receivable, net	7,416	5,399	389,012	421,994
Notes and mortgages receivable, net	79,103	75,713		
Capital assets, net	6,335,255	6,237,446		
Other noncurrent assets	69,426	41,164	13,441	17,291
Noncurrent assets	**11,741,120**	**11,262,560**	**3,119,433**	**2,870,741**
Total Assets	**13,796,491**	**13,456,757**	**3,792,867**	**3,556,600**
DEFERRED OUTFLOWS OF RESOURCES	**2,478,146**	**1,150,918**		
LIABILITIES				
Accounts payable	546,949	500,050	7,615	9,731
Accrued salaries and benefits	10,483	172,939		
Unearned revenue	363,064	341,793	4,752	5,510
Commercial paper	18,892	3,395		
Current portion of long-term debt	236,428	229,632		
Funds held for others			281,798	276,717
Other current liabilities	291,575	215,449	4,165	4,302
Current liabilities	**1,467,391**	**1,463,258**	**298,330**	**296,260**
Federal refundable loans	63,580	62,726		
Obligations under life income agreements			32,166	32,680
Long-term debt	3,223,976	3,310,581		
Net pension liability	3,966,162	2,203,372		
Pension payable to UCOP	1,048,271	914,728		
Net retiree health benefits liability	4,336,091	4,253,667		
Other noncurrent liabilities	191,690	213,085		
Noncurrent liabilities	**12,829,770**	**10,958,159**	**32,166**	**32,680**
Total liabilities	**14,297,161**	**12,421,417**	**330,496**	**328,940**
DEFERRED INFLOWS OF RESOURCES	**2,000,891**	**1,868,529**	**50,162**	**50,826**
NET POSITION				
Net investment in capital assets	**3,241,073**	**3,120,306**		
Restricted:				
Nonexpendable: endowments and gifts	309,873	297,959	1,328,835	1,191,701
Nonexpendable: annuity and life income funds	1,261	967		
Expendable: endowments and gifts	1,657,125	1,529,456	1,595,669	1,592,377
Expendable: other, including debt service, loans, capital projects, and appropriations	232	309,829		
Unrestricted	**(5,232,979)**	**(4,940,788)**	**487,705**	**392,756**
Total net position	**$(23,415)**	**$317,729**	**$3,412,209**	**$3,176,834**

See accompanying Notes to Financial Statements

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

	Campus		Foundation	
Years Ended June 30, 2019 and 2018 (in thousands of dollars)	**2019**	**2018**	**2019**	**2018**
OPERATING REVENUES				
Student tuition and fees, net	$929,380	$887,958		
Grants and contracts, net:				
Federal	629,912	601,936		
State	67,656	80,420		
Private	276,051	272,503		
Local	75,217	61,539		
Medical Center, net	2,796,959	2,415,034		
Educational activities, net	1,958,943	1,705,043		
Auxiliary enterprises, net	471,632	477,307		
Foundation private gifts			$347,628	$525,437
Other operating revenues, net	242,824	216,181	42	86
Total operating revenues	**7,448,574**	**6,717,921**	**347,670**	**525,523**
OPERATING EXPENSES				
Salaries and wages	3,970,361	3,705,614		
Pension benefits	977,391	312,256		
Retiree health benefits	268,594	301,427		
Other employee benefits	795,975	729,709		
Supplies and materials	1,058,025	947,015		
Depreciation and amortization	407,185	388,870		
Scholarships and fellowships	154,293	134,572		
Utilities	61,938	57,139		
Foundation grants			288,667	317,740
Other operating expenses	1,177,674	1,069,992	41,341	36,815
Total operating expenses	**8,871,436**	**7,646,594**	**330,008**	**354,555**
Operating income (loss)	**(1,422,862)**	**(928,673)**	**17,662**	**170,968**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	493,090	448,284		
Build America Bonds federal interest subsidies	9,481	10,157		
State hospital fee grant	5,564	1,109		
Federal Pell Grants	55,528	56,879		
Private gifts, net	366,761	378,856		
Investment income:				
Short Term Investment Pool	142,552	68,590		
Endowment, net	51,051	47,258		
Foundation			19,239	17,573
Net appreciation in fair value of investments	266,191	190,659	76,242	185,193
Interest expense	(132,763)	(134,078)		
Loss on disposal of capital assets	(10,185)	(7,149)		
Other nonoperating revenues (expenses)	23,017	(31,772)		
Net nonoperating revenues	**1,270,287**	**1,028,793**	**95,481**	**202,766**
Income (loss) before other changes in net position	**(152,575)**	**100,120**	**113,143**	**373,734**
OTHER CHANGES IN NET POSITION				
Capital gifts and grants, net	20,600	28,385		
Permanent endowments	10,826	15,918	122,232	79,895
Transfers	(219,995)	90,998		
Increase (decrease) in net position	**(341,144)**	**235,421**	**235,375**	**453,629**
NET POSITION				
Beginning of year, as previously reported	317,729	83,159	3,176,834	2,723,205
Cumulative effect of accounting change		(851)		
Beginning of year, restated	317,729	82,308	3,176,834	2,723,205
End of year	**$(23,415)**	**$317,729**	**$3,412,209**	**$3,176,834**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, LOS ANGELES
TRANSFERS (UNAUDITED)

	Campus	
Years ended June 30, 2019 and 2018 (in thousands of dollars)	**2019**	**2018**
Due from (to) intercampus	$240,606	$(82,005)
Unexpended plant	(81,868)	(73,735)
Retirement of indebtedness	61,767	64,885
Investment in plant:		
Intrafund transfer assets	255	
Intrafund transfer depreciation	(610)	7
Loan	(155)	(150)
Total Transfers	**$219,995**	**$(90,998)**

See accompanying Notes to Financial Statements

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

	Campus		Foundation	
Years ended June 30, 2019 and 2018 (in thousands of dollars)	**2019**	**2018**	**2019**	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	$926,710	$846,044		
Grants and contracts	1,100,806	978,195		
Medical Center	2,753,970	2,395,423		
Educational activities	1,924,454	1,693,521		
Auxiliary enterprises	466,200	489,625		
Collection of loans from students and employees	13,736	14,137		
Private gifts received by foundations			$338,785	$457,412
Payments to employees	(4,035,936)	(3,707,966)		
Payments for pension benefits	(377,265)	(491,445)		
Payments for retiree health benefits	(94,587)	(93,798)		
Payments for other employee benefits	(856,488)	(731,917)		
Payments to suppliers and utilities	(2,162,027)	(1,985,552)		
Payments for scholarships and fellowships	(154,293)	(91,206)		
Loans issued to students and employees	(18,417)	(12,998)		
Foundation operating expenses and grants to campus			(331,115)	(354,935)
Other receipts (payments)	94,000	194,193	(1,698)	13,816
Transfers - intercampus	(237,233)	52,591		
Net cash provided (used) by operating activities	**(656,370)**	**(451,153)**	**5,972**	**116,293**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	493,090	448,284		
Federal Pell Grants	55,528	56,879		
State hospital fee grants	5,564	1,109		
Gifts received for other than capital purposes:				
Private gifts for endowment purposes			114,897	67,843
Other private gifts	362,949	379,378		
Other receipts (payments)	(24,146)	15,719		
Transfers - intercampus	93,519	37,780		
Net cash provided by noncapital financing activities	**986,504**	**939,149**	**114,897**	**67,843**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	17,278	36,017		
Payments of principal	(1,781)	(112,499)		
Interest paid	(279)	(870)		
State capital appropriations		183		
Build America Bonds federal interest subsidies	8,589	10,281		
Capital gifts and grants	42,086	43,790		
Proceeds from debt issuance	116,025	433,993		
Purchases of capital assets	(503,094)	(441,266)		
Refinancing or prepayment of outstanding debt		(193,503)		
Scheduled principal paid on debt and capital leases	(195,834)	(272,913)		
Interest paid on debt and capital leases	(139,863)	(143,631)		
Transfers - intercampus	44,099	22,096		
Net cash used by capital and related financing activities	**(612,774)**	**(618,322)**		
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (purchases) / proceeds from sales and maturities of investments	(91,127)	(47,324)	(135,710)	(202,538)
Investment income, net of investment expenses	109,781	68,187	19,540	17,722
Net cash provided (used) by investing activities	**18,654**	**20,863**	**(116,170)**	**(184,816)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(263,986)**	**(109,463)**	**4,699**	**(680)**
Cash and cash equivalents, beginning of year	1,168,887	1,278,350	4,599	5,279
Cash and cash equivalents, end of year	**$904,901**	**$1,168,887**	**$9,298**	**$4,599**

See accompanying Notes to Financial Statements

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

	Campus		Foundation	
Years ended June 30, 2019 and 2018 (in thousands of dollars)	**2019**	**2018**	**2019**	**2018**
Cash and cash equivalents are comprised of the followings:				
Cash	$25,375	$16,290	$9,298	$4,599
Short-term investments	879,526	1,152,597		
Cash and cash equivalents Total	**$904,901**	**$1,168,887**	**$9,298**	**$4,599**
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities				
Operating income (loss)	$(1,422,862)	$(928,673)	$17,663	$170,968
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Depreciation and amortization expense	407,185	388,870		
Noncash gifts			(28,037)	(27,311)
Allowance for uncollectible accounts	46,123	34,218	3,803	6,599
Loss on impairment of capital assets	1,080	456		
Change in assets and liabilities				
Investments			(1,201)	(1,186)
Accounts receivable	(125,809)	61,198	2,395	6,643
Pledges receivable			15,701	(55,433)
Investments held by trustees	(8)	1		
Inventories	(17,014)	(4,239)		
Deferred charges	4,824	(17,567)		
Other assets	(28,262)	(9,100)		
Accounts payable	67,464	10,019	(1,560)	(196)
Accrued salaries and benefits	(162,456)	15,755		
Unearned revenue	21,271	1,256	(773)	
Annuities payable			580	(432)
Liabilities to life beneficiaries			22	(349)
Net pension liability	608,290	(188,510)		
Net retiree health benefits liability	171,010	199,894		
Other liabilities	(227,206)	(14,731)	(4,246)	12,074
Net cash provided (used) by operating activities	**$(656,370)**	**$(451,153)**	**$5,972**	**$116,293**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired through capital leases	$10,184	$5,371		
Change in fair value of interest rate swaps classified as hedging derivatives	(16,098)	12,870		
Gifts of capital assets	(409)	5,425		
Gifts of securities and real property - operating			$28,037	$27,311
Gifts of securities and real property - for endowment purposes			6,936	12,452
Noncash gifts for Foundation-administered irrevocable split interest agreements			1,005	245
Beneficial interests in irrevocable split interest agreements administered by third-parties			93	1,406

See accompanying Notes to Financial Statements

University of California, Los Angeles

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2019 and 2018

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 subjected to an annual audit of the consolidated financial statements, of which UCLA is a part of. The financial statements for the Los Angeles campus have not been individually audited.

The Associated Students of UCLA (ASUCLA)'s financial data for the fiscal years ended June 30, 2019 and 2018 has been 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 voluntary 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. Because of 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 Governmental Accounting Standards Board (GASB).

GASB Statement No. 83, *Certain Asset Retirement Obligations*, was adopted by the University as of July 1, 2018. The Statement establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The Statement requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred. The deferred outflow of resources associated with an asset retirement obligation is measured at the amount of the corresponding liability upon initial measurement and is generally recognized as an expense during the reporting periods that the asset provides service. The adoption of Statement No. 83 did not result in material adjustments to the financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* was implemented by the University as of July 1, 2018. This Statement defines debt for purposes of disclosures in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires additional disclosures related to debt including providing additional information for direct borrowings and direct placements of debt separately from other debt. Implementation of Statement No. 88 had no impact on the 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 non-exchange 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, 2019 and 2018.

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 Foundation 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.

Interest on borrowings to finance facilities is 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 a wholly owned captive insurance company 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. Actuarial gains and losses are included 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, 2019 and 2018, 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 applies 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 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.

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 financing appropriations, state hospital fee grants, 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 gain (loss) on the disposal of capital assets.

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:

(in thousands of dollars)

Scholarship Allowance	2019	2018
Student tuition and fees	$215,106	$226,274
Sales and services auxiliary enterprises	50,312	41,294
Total	**$265,418**	**$267,568**

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, 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. For the year ended June 30, 2018, the facilities and administrative cost recovery totaled $199 million, which consisted of $140 million from federally sponsored programs and $59 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 settlement, 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 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) 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 health contributions from retirees are shown as noncapital financing activities in the Statement of Cash Flow.

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 the 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, 2019. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or 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, 2020. 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 June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective prospectively for the University's fiscal year beginning July 1, 2020. 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 not be capitalized as part of the asset's historical cost. For construction in progress, interest cost incurred after applying this Statement will not be capitalized. The University expects interest expense to increase upon implementation of Statement No. 89.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, effective for the University's fiscal year beginning

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. The University is evaluating the effect that Statement No. 90 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, 2021. 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.

1. CASH

UCLA's cash is maintained and managed centrally by the University of California Office of the President (the "University"). 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, 2019 and 2018, the carrying amount of the University's demand deposits, generally held in five nationally recognized banking institutions, was $143.1 million and $249.5 million, respectively, compared to bank balances of $93.6 million and $169.7 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. The University's deposits are uninsured and uncollateralized except for bank balances insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable statutory limits. UCLA does not have significant exposure to foreign currency risk in demand deposit accounts. At June 30, 2019 and 2018, UCLA cash was $25.4 million and $16.3 million, respectively.

The carrying amount of the campus foundations' cash at June 30, 2019 and 2018 was $9 million and $5 million, respectively, compared to bank balances of $8 million and $3 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. Uncollateralized bank balances include $1 million and $2 million in excess of the FDIC limits at June 30, 2019 and 2018, 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 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.

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
(in thousands of dollars)	**State & Federal Government**	**Medical Center**	**Other**	**Total**	
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**
At June 30, 2018					
Accounts receivable	$129,501	$442,303	$348,071	$919,875	$5,267
Allowance for uncollectible accounts	(820)	(37,343)	(16,278)	(54,441)	
Accounts receivable, net	**$128,681**	**$404,960**	**$331,793**	**$865,434**	**$5,267**

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

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

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

(in thousands of dollars)	**2019**	**2018**
Student tuition and fees	$(122)	$(55)
Grants and contracts	(70)	
Medical Center	(44,784)	(32,652)
Educational activities	(986)	(1,461)
Auxiliary enterprises	10	(54)
Other operating revenues	(171)	4
Expense for uncollectible accounts	**$(46,123)**	**$(34,218)**

4. PLEDGES RECEIVABLE

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

(in thousands of dollars)	UCLA 2019	UCLA 2018	UCLA Foundations 2019	UCLA Foundations 2018
Total pledges receivable outstanding	$18,952	$13,797	$594,205	$609,762
Unamortized discount to present value	(502)	(149)	(95,510)	(93,100)
Allowance for uncollectible pledges	(4,021)	(3,032)	(16,839)	(15,300)
Total pledges receivable, net	**14,429**	**10,616**	**481,856**	**501,362**
Current portion of pledges receivable	(7,013)	(5,217)	(92,845)	(79,368)
Noncurrent portion of pledges receivable	**$7,416**	**$5,399**	**$389,011**	**$421,994**

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2019 and thereafter are as follows:

(in thousands of dollars)	UCLA	UCLA Foundations
Year Ending June 30		
2020	$9,543	$104,437
2021	2,995	62,966
2022	1,805	51,034
2023	1,255	55,970
2024	3,050	45,414
2025-2029	304	98,427
Beyond 2029		175,957
Total payments on pledges receivable	**$18,952**	**$594,205**

Adjustments to the allowance for uncollectible pledges for UCLA have increased private gift revenue by $354,000 and decreased private gift revenue by $22,000 for the years ended June 30, 2019 and 2018, respectively.

5. NOTES AND MORTGAGES RECEIVABLE

UCLA notes and mortgages receivable at June 30, 2019 and 2018, along with allowance for uncollectible amounts, are as follows:

(in thousands of dollars)	Current	Noncurrent Notes	Noncurrent Mortgages	Total
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**
At June 30, 2018				
Notes and mortgages receivable	$8,255	$69,611	$9,657	$87,523
Allowance for uncollectible amounts	(1,113)	(3,446)	(109)	(4,668)
Notes and mortgages receivable, net	**$7,142**	**$66,165**	**$9,548**	**$82,855**

6. CAPITAL ASSETS

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

(in thousands of dollars)

Original Cost	**2017**	**Additions**	**Disposals**	**2018**	**Additions**	**Disposals**	**2019**
Land	$164,254	$3,066		$167,320			$167,320
Infrastructure	7,385	10,988		18,373	$200		18,573
Buildings and improvements	7,711,665	379,008		8,090,673	194,169		8,284,842
Equipment	1,327,003	125,584	$(40,987)	1,411,600	113,003	$(70,933)	1,453,670
Intangible assets	283,642	11,975	(2,577)	293,040	44,487	(3,945)	333,582
Libraries and collections	769,964	36,006	(9,799)	796,171	37,540	(16,546)	817,165
Special collections	119,916	4,305		124,221	4,357		128,578
Construction in progress	396,299	(115,829)		280,470	122,125		402,595
Capital assets, at original cost	**$10,780,128**	**$455,103**	**$(53,363)**	**$11,181,868**	**$515,881**	**$(91,424)**	**$11,606,325**

Accumulated Depreciation and Amortization	**2017**	**Depreciation & Amortization**	**Disposals**	**2018**	**Depreciation & Amortization**	**Disposals**	**2019**
Infrastructure	$6,667	$533		$7,200	$535		$7,735
Buildings and improvements	3,105,721	233,175		3,338,896	246,069		3,584,965
Equipment	812,471	92,482	$(38,973)	865,980	88,146	$(67,248)	886,878
Intangible assets	143,017	35,696	(1,414)	177,299	43,921	(2,019)	219,201
Libraries and collections	533,198	26,984	(5,135)	555,047	28,516	(11,272)	572,291
Accumulated depreciation and amortization	**4,601,074**	**388,870**	**(45,522)**	**4,944,422**	**407,187**	**(80,539)**	**5,271,070**
Capital assets, net	**$6,179,054**			**$6,237,446**			**$6,335,255**

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:

(in thousands of dollars)	**Weighted Average Interest Rate**	**Interest Rate Range**	**Maturity Years**	**2019**	**2018**
Interim financing:					
Commercial paper		1.23 - 2.63%	2019 - 2020	$18,892	$3,395
Long-term financing:					
University of California General Revenue Bonds					
Fixed rate	4.7%	1.4 - 7.6%	2019 - 2115	1,447,263	1,484,514
Variable rate	1.7%	1.5 - 2.4%	2037 - 2048	85,791	85,791
University of California Limited Project Revenue Bonds	4.8%	1.5 - 6.3%	2020 - 2058	754,499	776,055
University of California Medical Center Pooled Revenue Bonds					
Fixed rate	5.6%	1.4 - 6.6%	2020 - 2049	504,300	517,150
Variable rate	2.1%	1.4 - 2.5%	2020 - 2047	180,325	180,325
Unamortized bond premium				182,816	193,217
University of California revenue bonds	**4.7%**			**3,154,994**	**3,237,052**
Financing obligations		0.5 - 11.8%	2020 - 2042	115,674	120,301
Other University borrowings		Various	2020 - 2055	189,736	182,860
Total outstanding debt				**3,479,296**	**3,543,608**
Less: Commercial paper				(18,892)	(3,395)
Current portion of outstanding debt				(236,428)	(229,632)
Noncurrent portion of outstanding debt				**$3,223,976**	**$3,310,581**

Interest expense associated with financing projects during construction, net of any investment income earned on tax-exempt bond proceeds during construction, is capitalized. Total interest expense during the years ended June 30, 2019 and 2018 was $136 million and $137 million, respectively. Interest expense, net of investment income, totaling $3 million, was capitalized during the years ended June 30, 2019 and 2018. The remaining $133 million and $134 million in 2019 and 2018, respectively, 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:

(in thousands of dollars)	Revenue Bonds	Financing Obligations	Other Borrowings	Total
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**
Year Ended June 30, 2018				
Long-term debt and financing obligations at June 30, 2017	$3,209,027	$130,736	$232,874	$3,572,637
New obligations	300,562	5,372	23	305,957
Bond premium, net	36,519			36,519
Refinance or prepayment of outstanding debt	(149,026)		(44,477)	(193,503)
Scheduled principal payments	(146,607)	(15,807)	(5,560)	(167,974)
Amortization of bond premium	(13,423)			(13,423)
Long-term debt and financing obligations at June 30, 2018	**3,237,052**	**120,301**	**182,860**	**3,540,213**
Less: Current portion	(206,663)	(17,313)	(5,656)	(229,632)
Noncurrent portion at June 30, 2018	**$3,030,389**	**$102,988**	**$177,204**	**$3,310,581**

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.

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

	2019		2018	
(in thousands of dollars)	**Interest Rates**	**Outstanding**	**Interest Rates**	**Outstanding**
Tax-exempt	1.23 - 1.80%	$17,836	1.10 - 1.71%	$2,095
Taxable	2.38 - 2.63%	1,056	1.88 - 2.30%	1,300
Total Outstanding		**$18,892**		**$3,395**

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, 2019, the University has two revolving credit agreements totaling $700 million. There were no borrowings against the revolving credit lines as of June 30, 2019.

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, 2019 and 2018 were $4.2 billion and $3.8 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, 2019 and 2018 were $534 million and $528 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, 2019 and 2018 were $13.4 billion and $12.2 billion, respectively. Pledged revenues for the UCLA Medical Center for the years ended June 30, 2019 and 2018 were $2.9 billion and $2.5 billion, respectively.

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.

2018 activity

In September 2017, Limited Project Revenue Bonds totaling $2.7 million, including $2.1 million tax-exempt bonds and $0.6 million taxable bonds, were issued to finance the acquisition, construction, improvement, and renovation of certain facilities of UCLA. The bonds mature at various dates through 2053. Proceeds, including a bond premium of $0.4 million, were used to pay for project construction and issuance costs. The taxable bonds have a stated weighted average rate of 2.9 percent. The tax-exempt bonds have a stated weighted average interest rate of 4.9 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In December 2017, General Revenue Bonds totaling $149.9 million of tax-exempt bonds were issued to advance refund a portion of General Revenue Bonds, Limited Project Revenue Bonds, and Medical Center Pooled Revenue Bonds. The bonds mature at various dates through 2041. The bonds have a stated weighted average interest rate of 4.7 percent. The bond premium of $27.1 million will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of $17.9 million and an economic gain of $14.2 million.

In June 2018, General Revenue Bonds totaling $79.8 million, including $56.8 million in tax-exempt bonds and $23.0 million in taxable bonds, were issued to finance or refinance the acquisition, construction, improvement, and renovation of certain facilities of UCLA. The bonds mature at various dates through 2058. Proceeds, including a bond premium of $9.4 million, were used to pay for project construction and issuance costs and to refund $7.3 million of outstanding General Revenue Bonds. The tax-exempt bonds have a stated weighted average interest rate of 4.9 percent. The taxable bonds have a stated weighted average interest rate of 4.3 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of $0.8 million and an economic gain of $0.7 million.

In June 2018, Limited Project Revenue Bonds totaling $67.8 million, all tax-exempt bonds, were issued to finance or refinance the acquisition, construction, improvement, and renovation of certain facilities of UCLA. The bonds mature at various dates through 2058. Proceeds, including a bond premium of $10.0 million, were used to pay for project construction and issuance costs and to refund $13.9 million of outstanding Limited Project Revenue Bonds. The tax-exempt bonds have a stated weighted average interest rate of 4.9 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of $1.6 million and an economic gain of $1.3 million.

Capital leases

Capital leases entered into with other lessors, typically for equipment, totaled $10 million and $5 million for the years ended June 30, 2019 and 2018, 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 derivate instrument.

As part of the University, UCLA may use uncollateralized revolving lines of credit with commercial banks for general corporate purposes and to provide interim financing for buildings and equipment.

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 $71 million and $75 million at June 30, 2019 and 2018, respectively.

Other borrowings, in addition to mortgage and other obligations to various lenders totaled $118 million and $108 million for the years ended June 30, 2019 and 2018, 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, 2019, 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
2020	$18,947	$214,372	$26,598	$4,616	$264,533	$122,655	$141,878
2021		219,991	23,982	10,409	254,382	116,458	137,924
2022		218,770	8,778	10,409	237,957	104,372	133,585
2023		216,729	6,871	10,393	233,993	104,535	129,458
2024		215,074	4,593	10,193	229,860	104,621	125,239
2025 - 2029		1,013,947	25,358	47,613	1,086,918	524,831	562,087
2030 - 2034		927,673	30,036	41,016	998,725	552,128	446,597
2035 - 2039		795,356	36,543	32,758	864,657	542,036	322,621
2040 - 2044		605,454	22,292	19,792	647,538	441,409	206,129
2045 - 2049		390,556		2,548	393,104	267,060	126,044
2050 - 2054		115,107			115,107	16,375	98,732
2055 - 2115		1,527,058			1,527,058	400,000	1,127,058
Total future debt service	**18,947**	**6,460,087**	**185,051**	**189,747**	**6,853,832**	**$3,296,480**	**$3,557,352**
Less: interest component of future payments	(55)	(3,487,909)	(69,377)	(11)	(3,557,352)		
Principal portion of future payments	**18,892**	**2,972,178**	**115,674**	**189,736**	**3,296,480**		
Adjusted by:							
Unamortized bond premium		182,816			182,816		
Total debt	**$18,892**	**$3,154,994**	**$115,674**	**$189,736**	**$3,479,296**		

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, 2019.

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 UCLA upon demand. UCLA has classified these bonds as current liabilities as of June 30, 2019.

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, 2019, 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, 2019, combined debt service requirements of the variable-rate debt and net swap payments are as follows:

(in thousands of dollars)

	Variable Rate Bonds			
Year Ending June 30	**Principal**	**Interest**	**Interest Rate Swap, Net**	**Total Payments**
2020		$5,154	$582	$5,736
2021		5,172	4,067	9,239
2022		5,153	4,073	9,226
2023	$3,365	5,153	4,064	12,582
2024	3,515	5,105	4,063	12,683
2025 - 2029	20,135	24,124	19,756	64,015
2030 - 2034	25,185	21,592	17,437	64,214
2035 - 2039	31,580	18,339	14,436	64,355
2040 - 2044	76,234	13,125	9,138	98,497
2045 - 2048	100,552	3,388	1,688	105,628
Total debt	**$260,566**	**$106,305**	**$79,304**	**$446,175**

8.DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

(in thousands of dollars)	Net Pension Liability	Net Retiree Health Benefits Liability	Debt Refunding	Interest Rate Swap Agreements	Royalty Sales	Asset Retirement Obligations	Total
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
At June 30, 2018							
Deferred outflows of resources	$190,818	$868,026	$43,006	$49,068			$1,150,918
Deferred inflows of resources	92,957	1,352,843	1,388		$421,341		1,868,529

9. THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

Most UCLA employees participate in 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 non-elective 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 UC-VERIP and who elected early retirement. The Regents has the authority to establish and amend the benefit plans. Administration authority with respect to 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, 2019 is as follows:

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA RETIREMENT PLAN	UNIVERSITY OF CALIFORNIA UC-VERIP	UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM	TOTAL
CONDENSED STATEMENT OF PLAN FIDUCIARY NET POSITION				
Investments at fair value	$71,133,046	$65,726	$24,257,931	$95,456,703
Participants' interests in mutual funds			1,691,773	1,691,773
Investment of cash collateral	3,933,691	3,642	2,191,193	6,128,526
Other assets	1,249,426	930	238,863	1,489,219
Total assets	**76,316,163**	**70,298**	**28,379,760**	**104,766,221**
Collateral held for securities lending	3,932,614	3,641	2,190,594	6,126,849
Other liabilities	2,104,586	1,879	410,109	2,516,574
Total liabilities	**6,037,200**	**5,520**	**2,600,703**	**8,643,423**
Net position held in trust	**$70,278,963**	**$64,778**	**$25,779,057**	**$96,122,798**
CONDENSED STATEMENT OF CHANGES IN PLAN FIDUCIARY NET POSITION				
Contributions	$3,365,193		$1,449,864	$4,815,057
Net appreciation in fair value of investments	2,780,821	$2,526	918,238	3,701,585
Investment and other income, net	1,237,774	1,222	485,414	1,724,410
Total additions	**7,383,788**	**3,748**	**2,853,516**	**10,241,052**
Benefit payment and participant withdrawals	3,816,434	4,213	1,454,549	5,275,196
Other deductions	61,981	5	6,014	68,000
Total deductions	**3,878,415**	**4,218**	**1,460,563**	**5,343,196**
Increase in net position held in trust	**3,505,373**	**(470)**	**1,392,953**	**4,897,856**
Net position held in trust				
Beginning of year	66,773,590	65,248	24,386,104	91,224,942
End of year	**$70,278,963**	**$64,778**	**$25,779,057**	**$96,122,798**
CHANGES IN TOTAL PENSION LIABILITY				
Service cost	$1,946,612			$1,946,612
Interest	5,576,660	$1,983		5,578,643
Difference between expected and actual experience	334,605	(79)		334,526
Changes of assumptions or other inputs	7,816,717	714		7,817,431
Benefits paid, including refunds of employee contributions	(3,816,434)	(4,213)		(3,820,647)
Net change in total pension liability	**11,858,160**	**(1,595)**		**11,856,565**
Total pension liability				
Beginning of year	76,546,448	29,540		76,575,988
End of year	**$88,404,608**	**$27,945**		**$88,432,553**
Net pension liability (asset), end of year	**$18,125,645**	**$(36,833)**		**$18,088,812**

Additional information on the retirement plans can be obtained from the 2018-2019 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 post-retirement and pre-retirement survivor benefits to eligible employees of the University and its affiliates. Membership is required in UCRP for all employees appointed to work at least 50 percent time for one year or more or for an indefinite period or for a definite period of a year or more. An employee may also become eligible by completing 1,000 hours within a 12-month period. Generally, five years of service are required for entitlement to plan benefits. The amount of pension benefit is determined under the basic formula of covered compensation times age factor times years of service credit. The maximum monthly benefit cannot exceed 100 percent of the employee's highest average plan compensation over a 36-month period, subject to certain limits imposed under the Internal Revenue Code 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, 2019:

	Campuses and Medical Centers	DOE National Laboratories	University of California
Retirees and beneficiaries receiving benefits	65,863	13,221	79,084
Inactive members entitled to, but not receiving benefits	91,600	9,264	100,864
Active members:			
Vested	72,776	1,627	74,403
Nonvested	52,802	722	53,524
Total active members	**125,578**	**2,349**	**127,927**
Total membership	**283,041**	**24,834**	**307,875**

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 member 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 $977 million and $312 million for 2019 and 2018, 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:

(in thousands of dollars)	**UCLA Campus and Medical Center ***	**Other Campuses and Other Medical Centers**	**Campuses and Medical Centers Total**	**DOE National Laboratories**	**University of California**
At June 30, 2019					
UCRP net position	$14,060,146	$46,996,245	$61,056,391	$9,222,572	$70,278,963
Total pension liability	18,026,308	60,253,200	78,279,508	10,125,100	88,404,608
Net pension liability	**$3,966,162**	**$13,256,955**	**$17,223,117**	**$902,528**	**$18,125,645**
At June 30, 2018					
UCRP net position	$13,421,300	$44,186,862	$57,608,162	$9,165,428	$66,773,590
Total pension liability	15,624,672	51,441,010	67,065,682	9,480,766	76,546,448
Net pension liability	**$2,203,372**	**$7,254,148**	**$9,457,520**	**$315,338**	**$9,772,858**

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

The University's net pension liability 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. The University's net pension liability was calculated using the following methods and assumptions:

	2019	**2018**
Inflation	2.5%	3.0%
Investment rate of return	6.75	7.25
Projected salary increases	3.65 - 5.95	3.75 - 6.15
Cost-of-living adjustments	2.0	2.0

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 were changed in 2019 based upon the results of an experience study conducted for the period July 1, 2014 through June 30, 2018. In 2019, for preretirement mortality rates, the Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table was used. For post-retirement, 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 actuarial assumptions used in 2018 were based upon the results of an experience study conducted for the period July 1, 2010 through June 30, 2014. In 2018, for preretirement mortality rates, the RP-2014 White Collar Employee Mortality Tables (separate tables for males and females) projected with the two-dimensional MP-2014 projection scale to 2029 were used. For post-retirement, healthy mortality rates were based on the RP-2014 White Collar Healthy Annuitant Mortality Table projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set forward one year. For disabled members, rates were based on the RP-2014 Disabled Retiree Mortality Table projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set back one year for males and set forward five years for females.

The long-term expected investment rate of return assumption for UCRP was determined in 2019 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, 2019 and 2018 was 6.75 percent and 7.25 percent, respectively. 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 and member contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. UCRP was projected to have assets sufficient to make projected benefit payments for current members for all future years as of June 30, 2019 and 2018.

Sensitivity of the net pension liability to the discount rate assumption

The following presents the June 30, 2019 net pension liability of the University calculated using the June 30, 2019 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:

(in thousands of dollars)	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
UCRP	$30,096,724	$18,125,645	$8,250,405
UCRP (UCLA campus portion, Including Medical Center)*	6,722,878	3,966,162	1,692,079
UC-VERIP	(35,386)	(36,833)	(38,139)

*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:

(in thousands of dollars)	UCLA CAMPUS AND MEDICAL CENTER*	OTHER CAMPUSES AND OTHER MEDICAL CENTERS	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
At June 30, 2019							
DEFERRED OUTFLOWS OF RESOURCES							
Difference between expected and actual experience	$105,133	$346,677	$451,810		$451,810		$451,810
Changes of assumptions or other inputs	1,348,898	4,447,998	5,796,896		5,796,896		5,796,896
Total	**$1,454,031**	**$4,794,675**	**$6,248,706**		**$6,248,706**		**$6,248,706**
DEFERRED INFLOWS OF RESOURCES							
Difference between expected and actual experience	$4,253	$3,364	$7,617		$7,617		$7,617
Net difference between projected and actual earnings on pension plan investment	63,874	50,522	114,396	$8,955	123,351	$109	123,460
Total	**$68,127**	**$53,886**	**$122,013**	**$8,955**	**$130,968**	**$109**	**$131,077**

(in thousands of dollars)	UCLA CAMPUS AND MEDICAL CENTER*	OTHER CAMPUSES AND OTHER MEDICAL CENTERS	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
At June 30, 2018							
DEFERRED OUTFLOWS OF RESOURCES							
Difference between expected and actual experience	$66,325	$177,863	$244,188	$1,696	$245,884		$245,884
Changes of assumptions or other inputs	124,493	333,856	458,349		458,349		458,349
Total	**$190,818**	**$511,719**	**$702,537**	**$1,696**	**$704,233**		**$704,233**
DEFERRED INFLOWS OF RESOURCES							
Difference between expected and actual experience	$19,515	$35,912	$55,427		$55,427		$55,427
Net difference between projected and actual earnings on pension plan investment	73,442	135,147	208,589	$4,484	213,073	$14	213,087
Total	**$92,957**	**$171,059**	**$264,016**	**$4,484**	**$268,500**	**$14**	**$268,514**

*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, 2019 related to pensions that will be recognized in pension expense during the next four years are as follows:

(in thousands of dollars)	UCLA CAMPUS AND MEDICAL CENTER*	OTHER CAMPUSES AND OTHER MEDICAL CENTERS	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
2020	$455,350	$1,560,656	$2,016,006	$55,212	$2,071,218	$441	$2,071,659
2021	229,703	785,749	1,015,452	(96,850)	918,602	(785)	917,817
2022	375,156	1,283,303	1,658,459	10,137	1,668,596	64	1,668,660
2023	325,695	1,114,113	1,439,808	22,546	1,462,354	171	1,462,525
Total	**$1,385,904**	**$4,743,821**	**$6,129,725**	**$(8,955)**	**$6,120,770**	**$(109)**	**$6,120,661**

*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 IRS 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 $48.5 million and $29.8 million for the years ended June 30, 2019 and 2018, 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 assets or employer contributions to the SDC Plan for the years ended June 30, 2019 and 2018.

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. 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 certain members of management. UCLA employer contributions to the 403(b) Plan were $1.7 million and $1.8 million for the years ended June 30, 2019 and 2018, respectively.

457(b) Deferred Compensation Plan

The University's 457(b) Deferred Compensation Plan (457(b) Plan) accepts pretax employee contributions. There were no employer contributions to the 457(b) Plan for the years ended June 30, 2019 and 2018.

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

University of California Voluntary Early Retirement Incentive 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 provisions of the plan. The University contributed to VERIP on behalf of these UC-VERIP members. As of July 1, 2019, there are 450 retirees or beneficiaries receiving benefits under this voluntary early retirement program.

The University and the DOE laboratories previously made contributions to the Plan sufficient to maintain the promised benefits. The actuarially determined contributions are zero for the years ending June 30, 2019 and 2018.

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 Trust (UCRHBT or Trust). 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 cancelled 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.

Campus and medical center contributions toward retiree health benefits, at rates determined by the University, are made to UCRHBT. The University receives retiree health contributions from retirees that are deducted from their UCRP benefit payments or are received from the retiree through direct pay. The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees. UCRHBT reimburses the University for these amounts.

Condensed financial information for the changes in retiree health benefits liability for the year ended June 30, 2019 is as follows:

(in thousands of dollars)	**UCLA Campus and Medical Center ***	**Other Campuses and Other Medical Centers**	**Campuses and Medical Centers Total**	**LBNL**	**University of California**
Contributions	$116,051	$398,997	$515,048	$22,209	$537,257
Investment income, net	720	2,475	3,195		3,195
Total additions	**116,771**	**401,472**	**518,243**	**22,209**	**540,452**
Insurance premiums, net	(110,545)	(380,070)	(490,615)	(22,209)	(512,824)
Other deductions	(969)	(3,331)	(4,300)		(4,300)
Total deductions	**(111,514)**	**(383,401)**	**(494,915)**	**$(22,209)**	**(517,124)**
Increase in net position held in UCRHBT	**5,257**	**18,071**	**23,328**		**23,328**
Net position held in UCRHBT, beginning of year	30,098	103,483	133,581		133,581
Net Position held in UCRHBT, end of year	**$35,355**	**$121,554**	**$156,909**		**$156,909**

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

(in thousands of dollars)	**UCLA Campus and Medical Center ***	**Other Campuses and Other Medical Centers**	**Campuses and Medical Centers Total**	**LBNL**	**University of California**
CHANGES IN TOTAL RETIREE HEALTH BENEFITS LIABILITY					
Service Cost	$179,861	$618,388	$798,249	$17,405	$815,654
Interest	165,541	569,152	734,693	23,828	758,521
Change of benefit terms	(6,399)	(22,002)	(28,401)	(914)	(29,315)
Difference between expected and actual experience	(375,276)	(800,008)	(1,175,284)	(43,862)	(1,219,146)
Changes of assumptions and other inputs	245,961	845,648	1,091,609	32,430	1,124,039
Benefits paid	(110,545)	(380,070)	(490,615)	(22,209)	(512,824)
Retiree contributions	18,636	64,074	82,710	3,110	85,820
Net change in total retiree health benefits liability	**117,779**	**895,182**	**1,012,961**	**9,788**	**1,022,749**
Total retiree health benefits liability					
Beginning of year	4,253,667	14,134,425	18,388,092	607,754	18,995,846
End of year	**$4,371,446**	**$15,029,607**	**$19,401,053**	**$617,542**	**$20,018,595**
Net retiree health benefit liability, end of year	**$4,336,091**	**$14,908,053**	**$19,244,144**	**$617,542**	**$19,861,686**

*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, 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 plans consisted of the following at June 30, 2019:

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	43,631	1,863	45,494
Active members entitled to, but not yet receiving benefits	131,678	2,375	134,053
Total membership	**175,309**	**4,238**	**179,547**

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 $2.70 and $2.80 per $100 of UCRP covered payroll effective July 1, 2018 and 2017, 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)	2019	2018
Discount rate	3.50%	3.87%
Inflation	2.5	3.0
Investment rate of return	2.5	3.0
Health care cost trend rates	Initially ranges from 4.4 to 9.4 decreasing to an ultimate rate of 4.0 for 2077 and later years	Initially ranges from 5.0 to 9.3 decreasing to an ultimate rate of 5.0 for 2033 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 were changed in 2019 based upon the results of an experience study conducted for the period July 1, 2014 through June 30, 2018. For pre-retirement mortality rates, the Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table were used. For post-retirement, 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.

The actuarial assumptions used in 2018 were based upon the results of an experience study conducted for the period of July 1, 2010 through June 30, 2014. For pre-retirement mortality rates, the RP-2014 White Collar Employee Mortality Tables (separate table for males and females) projected with the two-dimensional MP-2014 projection scale to 2029 were used. For post-retirement, healthy mortality rates are based on the RP-2014 White Collar Healthy Annuitant Mortality Table projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set forward one year. For disabled members, rates are based on the RP-2014 Disabled Retiree Mortality Table projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set back one year for males and set forward five years for females. For disabled members, rates are based on the RP-2014 Disabled Retiree Mortality Table, projected with the two-dimensional MP-2014 projection scale to 2029 and with ages then set back one year for males and set forward five years for females.

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

The following presents the June 30, 2019 net retiree health benefits liability of the University calculated using the June 30, 2019 health care cost trend rate assumption with initial trend ranging from 4.4 percent to 9.4 percent grading down to an ultimate trend of 4.0 percent over 58 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:

(in thousands of dollars)	**1% DECREASE** (3.4% to 8.4%) DECREASING TO (3.0%)	**CURRENT TREND** (4.4% to 9.4%) DECREASING TO (4.0%)	**1% INCREASE** (5.4% to 10.4%) DECREASING TO (5.0%)
Net retiree health benefit liability: University of California	$16,376,081	$19,861,686	$24,479,845
Net retiree health benefit liability: UCLA Campus and Medical Center	3,575,133	4,336,091	5,344,301

Discount rate

The discount rate used to estimate the net retiree health benefits liability as of June 30, 2019 and 2018 was 3.50 percent and 3.87 percent, respectively. The discount rate was based on the Bond Buyer 20-year tax-exempt general obligations municipal bond index rate since UCHRBT plan 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, 2019 net retiree health benefits liability of the University calculated using the June 30, 2019 discount rate assumption of 3.5 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:

(in thousands of dollars)	1% DECREASE (2.5%)	CURRENT DISCOUNT (3.5%)	1% INCREASE (4.5%)
Net retiree health benefit liability: University of California	$23,772,386	$19,861,686	$16,787,001
Net retiree health benefit liability: UCLA Campus and Medical Center	5,189,853	4,336,091	3,664,843

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:

2019 *(in thousands of dollars)*	UCLA Campus and Medical Center	Other Campuses and Other Medical Centers	Campuses and Medical Centers Total	LBNL	University of California
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	$14,541	$49,987	$64,528	$3,200	$67,728
Changes of assumptions or other inputs	904,785	2,838,524	3,743,309	94,691	3,838,000
Net difference between projected and actual earnings on plan investments	727	2,496	3,223		3,223
Total	**$920,053**	**$2,891,007**	**$3,811,060**	**$97,891**	**$3,908,951**
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	$669,039	$2,300,251	$2,969,290	$83,537	$3,052,827
Changes of assumptions or other inputs	824,417	1,954,693	2,779,110	64,446	2,843,556
Total	**$1,493,456**	**$4,254,944**	**$5,748,400**	**$147,983**	**$5,896,383**

2018 *(in thousands of dollars)*	**UCLA Campus and Medical Center**	**Other Campuses and Other Medical Centers**	**Campuses and Medical Centers Total**	**LBNL**	**University of California**
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	$17,422	$57,348	$74,770	$4,142	$78,912
Changes of assumptions or other inputs	849,717	2,491,196	3,340,913	92,220	3,433,133
Net difference between projected and actual earnings on plan investments	887	2,928	3,815		3,815
Total	**$868,026**	**$2,551,472**	**$3,419,498**	**$96,362**	**$3,515,860**
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	$531,071	$1,748,002	$2,279,073	$62,148	$2,341,221
Changes of assumptions or other inputs	821,772	2,399,151	3,220,923	83,384	3,304,307
Total	**$1,352,843**	**$4,147,153**	**$5,499,996**	**$145,532**	**$5,645,528**

The net amount of deferred outflows of resources and deferred inflows of resources as of June 30, 2019 related to retiree health benefits that will be recognized in retiree health benefit expense during the next five years and thereafter are as follows:

(in thousands of dollars)	**UCLA Campus and Medical Center**	**Other Campuses and Other Medical Centers**	**Campuses and Medical Centers Total**	**LBNL**	**University of California**
2020	$(70,482)	$(155,578)	$(226,060)	$(10,510)	$(236,570)
2021	(70,557)	(155,843)	(226,400)	(10,510)	(236,910)
2022	(70,650)	(156,166)	(226,816)	(15,371)	(242,187)
2023	(70,737)	(156,464)	(227,201)	(12,299)	(239,500)
2024	(97,411)	(248,163)	(345,574)	(1,402)	(346,976)
Thereafter	(193,566)	(491,723)	(685,289)		(685,289)
Total	**$(573,403)**	**$(1,363,937)**	**$(1,937,340)**	**$(50,092)**	**$(1,987,432)**

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, 2019 and 2018, are as follows:

	UCLA		Foundations	
(in thousands of dollars)	**2019**	**2018**	**2019**	**2018**
Restricted				
Endowments	$309,873	$297,959	$1,328,835	$1,191,701
Annuity and life income	1,261	967		
Nonexpendable	**311,134**	**298,926**	**1,328,835**	**1,191,701**
Endowments	608,684	572,245	322,632	337,002
Funds functioning as endowments	693,009	655,990	603,895	597,049
Annuity and life Income	619	27		
Gifts	354,813	301,194	669,142	658,326
Expendable	**1,657,125**	**1,529,456**	**1,595,669**	**1,592,377**
Total restricted	**1,968,259**	**1,828,382**	**2,924,504**	**2,784,078**
Unrestricted				
Endowments	2,158	2,049		
Funds functioning as endowments	1,033,681	907,537		
Gifts	691	998	487,705	392,756
Total unrestricted	**1,036,530**	**910,584**	**487,705**	**392,756**
Total	**$3,004,789**	**$2,738,966**	**$3,412,209**	**$3,176,834**

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 $1.4 billion and $1.3 billion at June 30, 2019 and 2018, 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 $46 million and $43 million for years ended June 30, 2019 and 2018, 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 $42 million and $39 million for the years ended June 30, 2019 and 2018, respectively. Accumulated endowment income available for spending in the future, including the annual income distribution, was $92 million and $87 million at June 30, 2019 and 2018, respectively.

UCLA foundations

During the years ended June 30, 2019 and 2018, gifts of $279 million ($88 million from endowment investments and $191 million from current funds) and $310 million ($90 million from endowment investments and $220 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, 2019 and 2018, are as follows:

(in thousands of dollars)	**2019**	**2018**
Instruction	$2,774,592	$2,338,405
Research	919,379	848,347
Public service	166,496	154,868
Academic support	893,171	741,583
Student services	215,059	187,698
Institutional support	240,709	194,838
Operations and maintenance of plant	111,842	88,131
Student financial aid	173,324	138,451
Medical Center	2,516,988	2,128,078
Auxiliary enterprises	433,932	403,182
Depreciation	407,185	388,870
Impairment of capital assets	1,080	456
Other	17,679	33,687
Total	**$8,871,436**	**$7,646,594**

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, 2019 and June 30, 2018 is as follows:

(in thousands of dollars)	**2019**	**2018**
Revenue bonds outstanding	$704,990	$717,840
Related debt service payments	43,460	41,504
Bonds due serially through	2049	2049
CONDENSED STATEMENT OF NET POSITION		
Current assets	1,901,162	1,666,222
Capital assets, net	1,671,098	1,717,689
Other assets	140,421	105,689
Total assets	**3,712,681**	**3,489,600**
Total deferred outflows of resources	**858,937**	**454,015**
Current liabilities	503,481	471,304
Long-term debt	876,922	908,811
Other noncurrent liabilities	2,996,536	2,454,479
Total liabilities	**4,376,939**	**3,834,594**
Total deferred inflows of resources	**547,364**	**447,245**
Net investment in capital assets	762,330	780,373
Restricted	24,776	10,884
Unrestricted	(1,139,791)	(1,129,481)
Total net position	**$(352,685)**	**$(338,224)**

(in thousands of dollars)	**2019**	**2018**
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$2,858,931	$2,514,065
Operating expenses	(2,538,061)	(2,246,262)
Depreciation expense	(152,840)	(147,785)
Operating income	**168,030**	**120,018**
Nonoperating revenues, net	17,603	9,872
Income before other changes in net position	**$185,633**	**$129,890**
Health systems support	(218,228)	(212,827)
Transfers from University, net		12,629
Changes in allocation for pension payable to University	3,866	(1,148)
Other, including donated assets	14,268	(466)
Decrease in net position	**$(14,461)**	**$(71,922)**
Net position - beginning of year	(338,224)	(266,302)
Net position - end of year	**$(352,685)**	**$(338,224)**
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	$541,026	$353,639
Noncapital financing activities	(212,664)	(268,614)
Capital and related financing activities	(166,534)	(171,333)
Investing activities	9,091	22,477
Net increase (decrease) in cash and cash equivalents	**$170,919**	**$(63,831)**
Cash and cash equivalents - beginning of year	943,930	1,007,761
Cash and cash equivalents - end of year	**$1,114,849**	**$943,930**

***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' separately 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, 2019 and 2018 is as follows:

	UCLA Foundations		
(in thousands of dollars)	**UCLA Foundation***	**Jonsson Cancer Center Foundation**	**Total**
Year Ended June 30, 2019			
CONDENSED STATEMENT OF NET POSITION			
Current assets	$661,256	$12,178	$673,434
Noncurrent assets	3,103,014	16,419	3,119,433
Total assets	**3,764,270**	**28,597**	**3,792,867**
Current liabilities	298,201	129	298,330
Noncurrent liabilities	32,166		32,166
Total liabilities	**330,367**	**129**	**330,496**
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)	$5,972
Noncapital financing activities	115,297	(400)	114,897
Investing activities	(119,861)	3,692	(116,170)
Net increase (decrease) in cash and equivalents	**4,803**	**(104)**	**4,699**
Cash and equivalents-June 30,2018	4,415	184	4,599
Cash and equivalents - June 30, 2019	**$9,218**	**$80**	**$9,298**

*Net of investments held for JCCF

(in thousands of dollars)	UCLA Foundations UCLA Foundation*	Jonsson Cancer Center Foundation	Total
Year ended June 30, 2018			
CONDENSED STATEMENT OF NET POSITION			
Current assets	$670,700	$15,159	$685,859
Noncurrent assets	2,851,090	19,651	2,870,741
Total assets	**3,521,790**	**34,810**	**3,556,600**
Current liabilities	293,343	2,917	296,260
Noncurrent liabilities	32,680		32,680
Total liabilities	**326,023**	**2,917**	**328,940**
Total deferred inflow of resources	**48,484**	**2,342**	**50,826**
Restricted	2,764,537	19,541	2,784,078
Unrestricted	382,746	10,010	392,756
Total net position	**$3,147,283**	**$29,551**	**$3,176,834**
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
Operating revenues	$508,986	$16,537	$525,523
Operating expenses	(337,273)	(17,282)	(354,555)
Operating income (loss)	**171,713**	**(745)**	**170,968**
Nonoperating revenues	201,923	843	202,766
Income before other changes in net position	**373,636**	**98**	**373,734**
Permanent endowments	79,895		79,895
Increase in net position	**453,531**	**98**	**453,629**
Net position - June 30, 2017	2,693,752	29,453	2,723,205
Net position-June 30, 2018	**$3,147,283**	**$29,551**	**$3,176,834**
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	$115,297	$996	$116,293
Noncapital financing activities	67,443	400	67,843
Investing activities	(183,435)	(1,381)	(184,816)
Net increase (decrease) in cash and equivalents	**(695)**	**15**	**(680)**
Cash and equivalents - June 30, 2017	5,110	169	5,279
Cash and equivalents - June 30, 2018	**$4,415**	**$184**	**$4,599**

*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, 2019.

UCLA leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2019 and 2018 were $88 million and $99 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	
2020	$74,987
2021	64,238
2022	52,585
2023	41,293
2024	27,558
2025 - 2029	59,336
2030 - 2034	1,295
2035 - 2039	1,230
2040 - 2042	676
Total	**$323,198**

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.

Required Supplementary Information

The required supplementary information can be obtained from the 2018-19 annual report of the University of California Retirement System, which can be obtained at: http://reportingtransparency.universityofcalifornia.edu.

For more information, contact Financial Management and Reporting at cfs_fmr@finance.ucla.edu

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The UCLA 2018-2019
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