UNIVERSITY
OF
CALIFORNIA

Annual Financial Report

19/20

The University of California was founded in 1868 on the revolutionary idea that college should be available to everyone. We still embody that ideal, educating more first-generation and low-income students than the entire Ivy League combined, while also serving as a catalyst for research and innovation that improves lives around the world.

UNIVERSITY OF CALIFORNIA

19/20 Annual Financial Report

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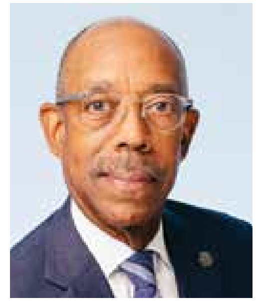
Letter from the President



It is difficult to think of a time in recent history — that of the University of California or our nation — as challenging as the current COVID-19 pandemic.

UC continues to innovate and lead during this critical time. Its dedicated community is stepping up to focus on our tripartite mission of teaching, research and public service.

UC clinicians are on the front lines treating patients; our scientists are working diligently on solutions for testing, tracing, treating, and developing vaccines for the coronavirus; and UC students and faculty have quickly transitioned to the hybrid of in-person classes and remote learning.

UC faces significant budget challenges along with others in education and across business sectors. This prompts us to be more creative and innovative in the months and years ahead to serve and support our students, patients and the state of California. We're more than up to the challenge.

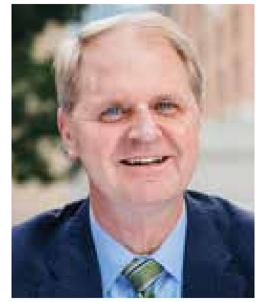
My priorities however, remain the same: commitment, compassion and excellence in all that we do.

I look forward to working with the UC community as the University continues to lead during these troubled times, navigating the pandemic with resilience, hope and tangible solutions — and continuing to make a real impact across California, the nation and the world.

While we face significant obstacles, the challenges in front of us also provide many opportunities for us to pool our strengths and forge new, often better pathways.

MICHAEL V. DRAKE, M.D.
PRESIDENT, UNIVERSITY OF CALIFORNIA

Letter from the Executive Vice President, CFO



The University of California, as the rest of the world, has been impacted by the COVID-19 pandemic. In March, as shelter-in-place orders were announced, campuses had to quickly pivot to remote instruction and supported students who elected to return home to their families. Prior to this shift, UC had accepted an all-time record number of incoming students for the 2019-20 academic year, including the highest numbers of freshmen and California transfer students in UC's history. Almost 40 percent of UC undergraduates are from low-income families, and the majority of them go on to earn more than their parents within five years of graduating. In fact, UC students from all income levels succeed in achieving incomes that surpass their parents, with more than 90 percent of the lowest income students and 50 to 70 percent of middle-income students doing so. That kind of economic mobility will help California's financial recovery and help narrow the gap of social inequality as we collectively push to address economic and racial injustice.

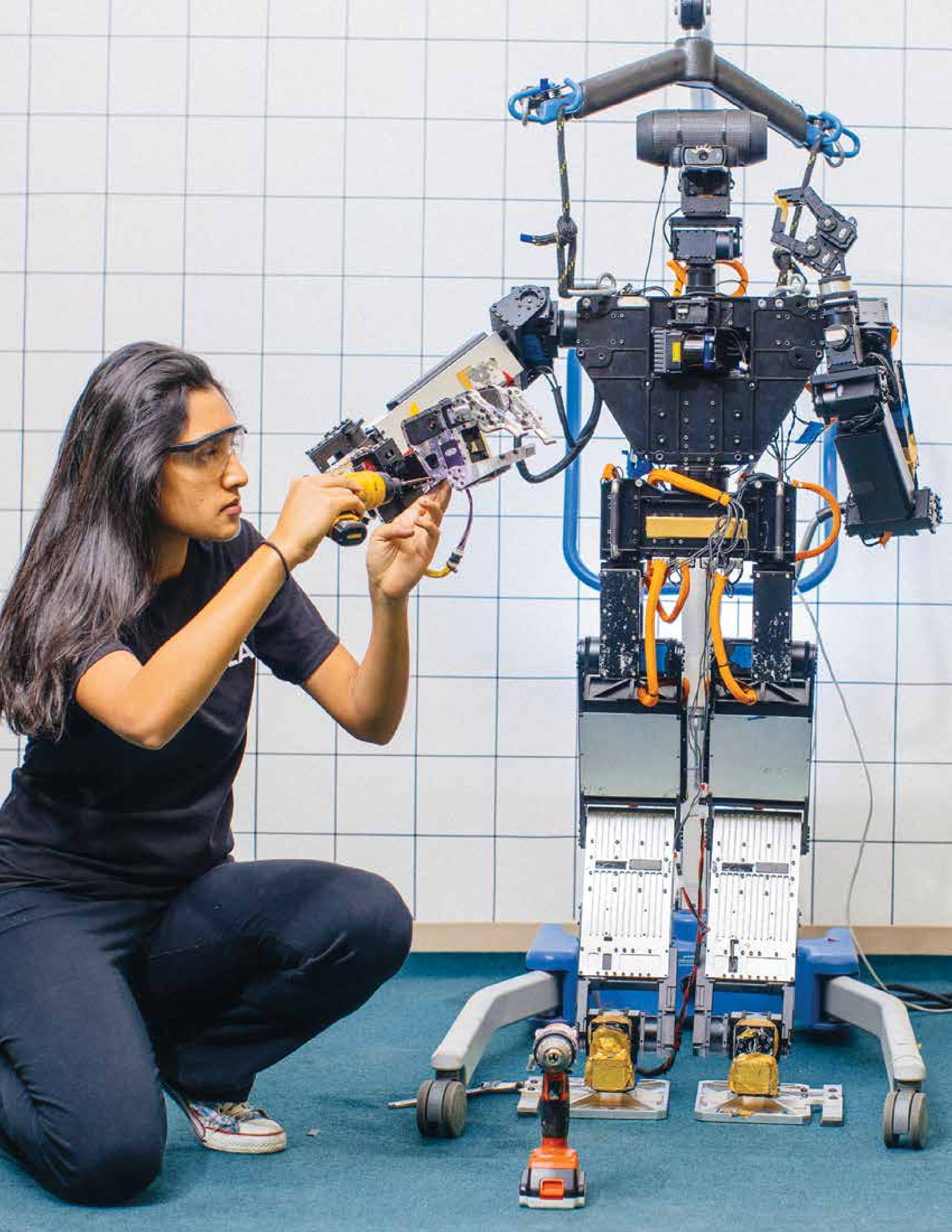
The economic impacts associated with COVID-19 are significant, but the University's strong financial position and broad range of revenue sources have us well positioned to meet this challenge. The primary impact for the campuses was in the loss of auxiliary revenues, more specifically in housing as students were given the option to cancel housing contracts early to return home. At the medical centers, our clinics and hospitals saw declines in utilization since most elective procedures were canceled or postponed to comply with the state shelter-in-place requirements. By the end of the fiscal year, the total impact to UC was estimated to be a gap of $1.8 billion relative to the budget. Of this amount, lost revenue represented $1.5 billion, and extra costs for remote instruction and cleaning were estimated to be over $250 million. In spite of these disruptions, the medical centers recognized positive gains for the year.

The strength of UC's credit allowed the University to secure debt for strategic purposes. UC issued $1.8 billion in long-dated taxable Medical Center Pooled Revenue Bonds at low yields to fund seismic rehabilitation at our Medical Center facilities in compliance with state law. In the summer, UC issued $2.8 billion in General Revenue Bonds to fund deferred maintenance, seismic work and other high priority capital projects at the campuses and to refund outstanding debt for savings. This bond issue included $1.5 billion of working capital debt at a yield of 1.43% that will provide the campuses with additional liquidity to bridge financial gaps during the COVID-19 pandemic.

UC Health was one of the first in the state to treat COVID-19 patients. At our five academic medical centers, more than 9,000 faculty physicians, 14,000 nurses, and tens of thousands of affiliated staff members have demonstrated their deep commitment to serving patients and protecting public health. In addition to being on the frontlines of treating COVID-19 patients, UC Davis Health set comprehensive standards for patient care during the pandemic, and has 14 clinical studies underway; UC Berkeley and UC San Francisco collaborated on a pop-up COVID-19 testing lab focusing on vulnerable populations and front-line responders who daily put themselves at risk of infection; and a UC San Diego Health nurse started a farm that will provide free food to a nearby community in Mexico hurt by COVID-19.

Our strength and resilience will carry the University of California through these challenging times and I'm optimistic that we will emerge as an even stronger institution as a result of our decisions and actions during the pandemic.

NATHAN BROSTROM
EXECUTIVE VICE PRESIDENT, CFO
UNIVERSITY OF CALIFORNIA



Facts in Brief *(Unaudited)*

	2020	2019	2018	2017	2016
STUDENTS					
Undergraduate fall enrollment	226,275	222,670	216,904	210,369	199,127
Graduate fall enrollment	64,964	63,601	62,092	59,743	58,311
Total fall enrollment	**291,239**	**286,271**	**278,996**	**270,112**	**257,438**
University Extension course enrollments	333,586	357,319	348,645	346,365	371,240
FACULTY AND STAFF *(full-time equivalents)*	**169,789**	**162,642**	**158,877**	**154,522**	**149,312**
SUMMARY FINANCIAL INFORMATION *(in thousands of dollars, except for retirement plan membership information)*					
UNIVERSITY OF CALIFORNIA					
PRIMARY REVENUE SOURCES					
Student tuition and fees, net[1]	$5,298,018	$5,170,171	$4,838,764	$4,477,213	$4,132,352
Grants and contracts, net	6,248,923	5,976,567	5,709,180	5,440,977	5,272,595
Medical centers, educational activities and auxiliary enterprises, net	19,813,552	18,933,888	17,419,902	16,153,092	14,638,715
State educational appropriations	3,686,105	3,508,102	3,386,151	3,279,520	3,067,677
Federal Pell Grants	443,282	437,828	421,693	381,650	376,264
Private gifts, net	1,516,475	1,441,330	1,315,092	1,161,658	1,088,076
Capital gifts and grants, net	251,616	195,348	403,164	255,559	248,705
Department of Energy laboratories	1,083,215	1,577,244	1,062,428	1,147,233	1,278,186
OPERATING EXPENSES BY FUNCTION					
Instruction	9,042,366	8,267,781	6,939,892	6,966,479	6,814,684
Research	5,492,011	5,249,698	4,744,416	4,579,067	4,618,459
Public service	829,864	770,436	712,062	670,757	639,022
Academic support	3,699,479	3,106,790	2,742,160	2,416,824	2,460,694
Student services	1,365,576	1,355,666	1,206,080	1,168,883	1,099,934
Institutional support	1,929,186	1,714,488	1,437,887	1,443,208	1,583,783
Operation and maintenance of plant	770,489	733,599	657,883	677,034	656,635
Student financial aid[2]	1,018,510	835,237	752,261	721,538	649,258
Medical centers	14,438,685	12,779,975	10,749,409	10,451,455	10,004,181
Auxiliary enterprises	1,408,764	1,441,436	1,324,309	1,300,590	1,265,535
Depreciation and amortization	2,184,431	2,100,228	2,027,343	1,909,870	1,804,046
Impairment of capital assets	12,482	4,056	10,360	7,354	10,127
Department of Energy laboratories	1,075,559	1,569,702	1,054,475	1,139,232	1,271,260
Other	138,004	174,321	88,324	66,936	71,573
INCREASE (DECREASE) IN NET POSITION	(3,445,594)	(826,340)	1,811,143	1,059,890	(2,699,804)
FINANCIAL POSITION					
Investments, at fair value	30,663,791	28,707,381	27,368,997	24,478,362	22,208,767
Capital assets, at net book value	36,543,172	34,229,473	32,325,107	30,669,753	29,688,815
Other assets and deferred outflows	25,022,132	21,641,856	13,027,627	13,462,290	18,288,878
Outstanding debt, including financing obligations	(26,652,748)	(24,584,142)	(23,658,777)	(20,502,876)	(19,951,287)
Obligations for pension and retiree health benefits	(45,631,992)	(37,979,627)	(28,637,385)	(30,029,779)	(36,920,138)
Other liabilities and deferred inflows	(20,060,860)	(18,685,852)	(16,270,140)	(15,733,464)	(12,021,750)
Net position	(116,505)	3,329,089	4,155,429	2,344,286	1,293,285

[1]Scholarship allowances, including both financial aid and fee waivers that are not paid directly to students, are recorded primarily as a reduction of student tuition and fees in the statement of revenues, expenses and changes in net position.

[2]Includes only financial aid paid directly to students. The state-administered California grant awards are not included as expenses since the government determines grantees. College work-study expenses are shown in the programs in which the student worked.

	2020	2019	2018	2017	2016
SUMMARY FINANCIAL INFORMATION *(in thousands of dollars, except for retirement plan membership information)*					
UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS					
PRIMARY REVENUE SOURCES					
Private gifts	$1,301,479	$918,363	$1,340,158	$864,411	$789,267
PRIMARY EXPENSES					
Grants to campuses	1,292,075	1,134,265	1,100,287	939,784	889,163
INCREASE (DECREASE) IN NET POSITION	647,424	638,495	1,337,620	1,050,233	(3,498)
FINANCIAL POSITION					
Investments, at fair value	10,757,594	9,978,389	9,239,580	8,206,990	7,115,278
Pledges receivable, net	842,167	887,992	1,006,183	865,979	842,423
Net position	11,089,311	10,441,887	9,803,392	8,465,772	7,415,540
UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM					
PLAN PARTICIPATION					
Plan membership	314,854	307,875	298,420	289,429	280,185
Retirees and beneficiaries currently receiving payments	80,745	79,084	75,924	72,995	70,077
PRIMARY REVENUE SOURCES					
Contributions[1]	$5,107,118	$4,815,057	$4,759,740	$4,779,464	$4,551,152
Interest, dividends and other investment income, net	1,589,132	1,723,614	1,555,260	1,435,299	1,316,116
Net appreciation (depreciation) in the fair value of investments	978,372	3,701,585	5,098,540	8,616,400	(2,300,033)
PRIMARY EXPENSES					
Benefit payments	3,800,561	3,676,263	3,438,840	3,185,062	2,974,331
Participant and member withdrawals	1,680,533	1,598,933	1,373,405	1,514,990	1,367,528
INCREASE (DECREASE) IN NET POSITION	2,122,138	4,897,856	6,563,074	10,079,633	(831,668)
FINANCIAL POSITION					
Investments, at fair value	97,278,282	95,456,703	90,872,718	82,574,019	73,196,935
Members' defined pension plan benefits	70,977,922	70,343,741	66,838,838	62,179,236	54,225,589
Participants' defined contribution plan benefits	27,267,014	25,779,057	24,386,104	22,482,632	20,356,646
ACTUARIAL INFORMATION *(as of the beginning of the year)*					
Actuarial value of assets	70,170,196	66,577,372	61,884,530	57,228,542	53,762,286
Actuarial accrued liability	87,782,652	76,881,052	72,965,272	69,305,423	65,841,255
UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST					
PLAN PARTICIPATION					
Plan membership	179,752	175,309	169,655	164,089	161,072
Retirees and beneficiaries currently receiving payments	44,944	43,631	42,325	41,157	39,774
PRIMARY REVENUE SOURCES					
Contributions	$340,726	$333,107	$338,436	$328,057	$310,320
Interest, dividends and other investment income, net	2,281	3,195	1,634	606	155
PRIMARY EXPENSES					
Insurance premiums	338,567	308,674	309,344	290,234	284,836
INCREASE (DECREASE) IN NET POSITION	(91)	23,328	26,867	34,173	21,896
FINANCIAL POSITION					
Investments, at fair value	141,872	136,248	128,091	97,801	53,604
Net position for retiree health benefits	156,818	156,909	133,581	106,714	72,541
ACTUARIAL INFORMATION *(as of the beginning of the year)*					
Actuarial value of assets	156,909	133,581	106,714	72,541	50,645
Actuarial accrued liability	19,401,053	18,388,092	18,786,201	21,168,812	17,320,301

[1] *Total contributions to the University of California Retirement Plan and the University of California Retirement Savings Plan.*

Campus Facts in Brief *(Unaudited)*

	BERKELEY	DAVIS	IRVINE	LOS ANGELES	MERCED
STUDENTS					
Undergraduate fall enrollment	31,352	31,115	30,382	31,543	8,151
Graduate fall enrollment	11,852	8,514	7,247	14,199	696
Total fall enrollment	**43,204**	**39,629**	**37,629**	**45,742**	**8,847**
University Extension course enrollments[1]	39,580	51,602	22,153	110,408	912
DEGREES CONFERRED[2]					
Bachelor	8,727	7,993	8,063	8,599	1,415
Advanced	4,559	2,226	2,275	4,851	118
Cumulative	675,324	307,289	221,277	604,694	10,594
FACULTY AND STAFF *(full-time equivalents)*[3]	14,589	24,883	16,382	38,588	2,331
LIBRARY COLLECTION[4] *(volumes)*	12,984,693	5,715,576	4,079,195	10,911,750	2,103,239
CAMPUS LAND AREA *(in acres)*	8,163	7,376	1,527	467	8,184

CAMPUS FINANCIAL FACTS[5] *(in thousands of dollars)*	BERKELEY	DAVIS	IRVINE	LOS ANGELES	MERCED
OPERATING EXPENSES BY FUNCTION					
Instruction	$905,014	$977,005	$852,723	$2,731,631	$84,736
Research	578,883	591,750	285,290	866,220	34,066
Public service	76,671	94,499	10,787	176,252	8,414
Academic support	130,832	297,850	291,703	949,929	28,626
Student services	257,582	161,157	85,089	202,918	30,026
Institutional support	281,457	209,826	131,023	247,102	70,734
Operation and maintenance of plant	100,191	111,703	70,972	113,207	25,416
Student financial aid	186,299	122,915	117,464	177,333	26,202
Medical centers		2,541,088	1,353,744	2,776,350	
Auxiliary enterprises	156,461	101,090	132,656	380,697	35,367
Depreciation and amortization	235,160	263,181	226,994	415,889	45,504
Impairment of capital assets	1,950	1,859	1,109	3,550	
Other[6]	19,077	42	15,939	23,600	27,369
Total	**$2,929,577**	**$5,473,965**	**$3,575,493**	**$9,064,678**	**$416,460**
GRANTS AND CONTRACTS REVENUE					
Federal government	$422,742	$433,523	$262,152	$664,458	$26,663
State government	51,661	146,764	17,043	66,088	5,999
Local government	8,536	15,912	3,221	72,787	71
Private	194,473	151,829	95,486	276,492	4,728
Total	**$677,412**	**$748,028**	**$377,902**	**$1,079,825**	**$37,461**
UNIVERSITY ENDOWMENTS					
Nonspendable endowments	$404,858	$128,709	$9,918	$318,261	$16,881
Other endowments	2,395,272	1,082,487	482,985	2,356,112	30,926
Annual income distribution	99,619	43,991	18,857	65,202	2,166
CAMPUS FOUNDATIONS' ENDOWMENTS					
Nonspendable endowments and gifts	1,358,902	305,865	379,375	1,466,077	13,453
Other endowments	814,385	178,265	152,629	893,907	4,347
CAPITAL ASSETS					
Capital assets, at net book value	3,943,605	3,973,625	3,177,677	6,819,660	1,885,281
Capital expenditures	234,970	736,453	321,320	913,668	271,558

[1]*Total courses enrolled in by University Extension students for academic year 2019-20.*
[2]*As of academic year 2018-19.*
[3]*As of April 30, 2020.*
[4]*As of June 30, 2019.*
[5]*Excludes DOE laboratories.*
[6]*Includes noncapitalized expenses associated with capital projects and write-off, cancellation and bad debt expenses for loans.*

	RIVERSIDE	SAN DIEGO	SAN FRANCISCO	SANTA BARBARA	SANTA CRUZ	SYSTEMWIDE[7]
STUDENTS						
Undergraduate fall enrollment	22,067	30,794		23,354	17,517	
Graduate fall enrollment	3,581	8,862	5,076	2,960	1,977	
Total fall enrollment	**25,648**	**39,656**	**5,076**	**26,314**	**19,494**	
University Extension course enrollments[1]	20,429	56,213		4,959	27,330	
DEGREES CONFERRED[2]						
Bachelor	4,520	7,609		5,882	4,395	
Advanced	1,039	2,676	864	868	622	
Cumulative	130,386	224,665	56,287	249,906	129,052	
FACULTY AND STAFF[3] *(full-time equivalents)*	5,882	26,740	25,853	6,753	4,830	2,958
LIBRARY COLLECTION[4] *(volumes)*	4,365,790	5,288,731	1,202,970	3,019,866	2,513,432	
CAMPUS LAND AREA *(in acres)*	2,130	2,182	198	1,127	6,088	66,030
CAMPUS FINANCIAL FACTS[5] *(in thousands of dollars)*						
OPERATING EXPENSES BY FUNCTION						
Instruction	$366,879	$879,546	$356,598	$385,064	$216,777	$1,286,393
Research	129,649	899,503	1,149,076	184,740	108,773	664,061
Public service	7,334	23,508	157,172	12,377	44,361	218,489
Academic support	45,841	888,922	395,503	72,658	42,350	555,265
Student services	93,476	162,952	29,015	105,551	107,204	130,606
Institutional support	93,829	215,402	236,495	89,221	65,625	288,472
Operation and maintenance of plant	40,968	96,810	44,206	54,233	41,872	70,911
Student financial aid	72,556	107,662	22,872	126,947	58,069	191
Medical centers		2,335,833	5,288,425			143,245
Auxiliary enterprises	64,024	172,012	42,700	98,636	110,680	114,441
Depreciation and amortization	74,594	321,203	349,802	86,870	65,561	99,673
Impairment of capital assets		2,422	873		368	
Other[6]	7,461	26,836	1,516	4,311	7,832	4,021
Total	**$996,611**	**$6,132,611**	**$8,074,253**	**$1,220,608**	**$869,472**	**$3,575,768**
GRANTS AND CONTRACTS REVENUE						
Federal government	$105,526	$766,437	$787,311	$129,341	$81,628	$27,844
State government	15,273	55,286	102,772	7,164	8,186	98,426
Local government	3,074	19,190	225,640	1,242	1,385	7,129
Private	31,568	320,163	434,040	62,017	30,147	7,506
Total	**$155,441**	**$1,161,076**	**$1,549,763**	**$199,764**	**$121,346**	**$140,905**
UNIVERSITY ENDOWMENTS						
Nonspendable endowments	$10,234	$45,298	$155,310	$33,011	$10,993	$83,088
Other endowments	72,120	972,507	2,121,646	127,324	90,457	1,318,613
Annual income distribution	2,532	34,786	55,461	6,162	3,747	40,252
CAMPUS FOUNDATIONS' ENDOWMENTS						
Nonspendable endowments and gifts	123,673	531,867	907,373	174,467	52,007	
Other endowments	69,523	363,378	872,447	103,818	63,638	
CAPITAL ASSETS						
Capital assets, at net book value	1,457,616	5,992,542	5,710,971	1,566,200	1,260,155	755,840
Capital expenditures	299,428	744,339	797,829	91,585	87,675	92,492

[1]*Total courses enrolled in by University Extension students for academic year 2019-20.*
[2]*As of academic year 2018-19.*
[3]*As of April 30, 2020.*
[4]*As of June 30, 2019.*
[5]*Excludes DOE laboratories.*
[6]*Includes noncapitalized expenses associated with capital projects and write-off, cancellation and bad debt expenses for loans.*
[7]*Includes expenses for systemwide and research programs, systemwide support services and administration. Full-time equivalents count includes employees at all campuses involved in systemwide activities, including Agriculture and Natural Resources.*

Management's Discussion and Analysis *(Unaudited)*

The objective of Management's Discussion and Analysis is to help readers of the University of California's financial statements better understand the financial position and operating activities for the year ended June 30, 2020, with selected comparative information for the years ended June 30, 2019 and 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2018, 2019 and 2020, etc.) in this discussion refer to the fiscal years ended June 30.

The University of California's financial report communicates financial information for the University of California (the University), the University of California campus foundations (campus foundations), the University of California Retirement System (UCRS) and the University of California Retiree Health Benefit Trust (UCRHBT) through five primary financial statements and notes to the financial statements. Three of the primary statements, the statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows, present the financial position, changes in financial position and cash flows for the University and the affiliated campus foundations. The financial statements for the campus foundations are presented discretely from the University. Two of the primary statements, the statements of plans' and trust's fiduciary net position and the statements of changes in plans' and trust's fiduciary net position, present the financial position and operating activities for UCRS and UCRHBT. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

THE UNIVERSITY OF CALIFORNIA

The University of California, one of the largest and most acclaimed institutions of higher learning in the world, is dedicated to excellence in teaching, research, health care and public service. The University has annual resources of nearly $40.3 billion and encompasses ten campuses, five medical centers, four law schools and a statewide Division of Agriculture 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).

Campuses. The ten campuses are located in Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara and Santa Cruz. All of the campuses, except San Francisco, offer undergraduate, graduate and professional education; the San Francisco campus is devoted exclusively to graduate and professional education in health sciences.

Health sciences. The University operates one of the nation's largest health science and medical training programs. The instructional program is conducted in 16 health professional schools on six campuses. The University's health programs include five medical centers, two dental schools, three nursing schools, two public health schools and two pharmacy schools, in addition to a school of optometry and a school of veterinary medicine. The University's medical schools play a leading role in the development of health services and the advancement of medical science and research.

Law schools. The University has law schools at Berkeley, Davis, Irvine and Los Angeles. Also, the Hastings College of the Law in San Francisco is affiliated with the University, although not included in the financial reporting entity.

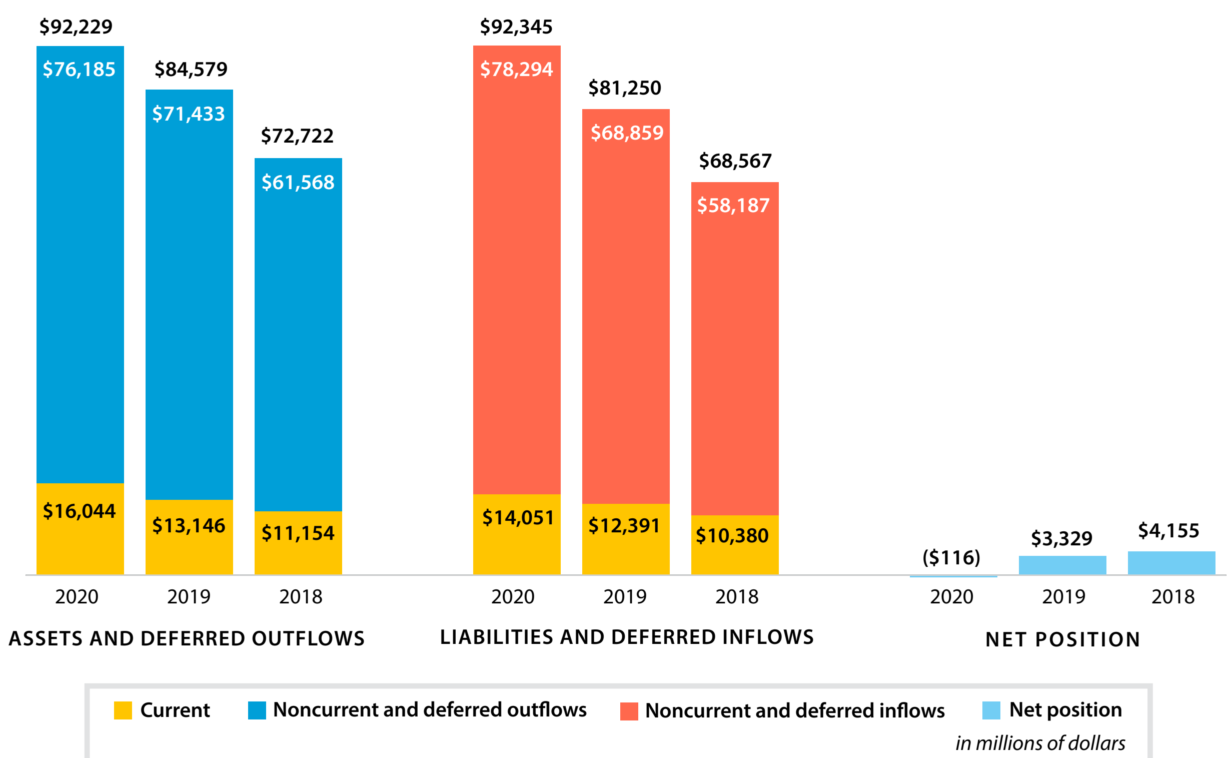
Agriculture and Natural Resources. The Division of Agriculture and Natural Resources is a statewide research and public service organization that serves a large and diverse agricultural community. The division collaborates on research with all campuses, and conducts studies at nine research and extension centers and on private land in cooperation with California producers. In addition, research and educational programs are conducted in each of the state's 58 counties.

University Extension. The foremost continuing education program of its kind in size, scope and quality of instruction, University Extension offers almost 20,000 self-supporting courses statewide and in several foreign countries.

National laboratories. Under contract with the DOE, the University operates and manages the Ernest Orlando Lawrence Berkeley National Laboratory (LBNL) in California. The University is also a member in two separate joint ventures, Triad National Security, LLC (Triad) and Lawrence Livermore National Security, LLC (LLNS) that operate and manage the Los Alamos National Laboratory (LANL) and Lawrence Livermore National Laboratory (LLNL), respectively, under contracts directly with the DOE. The laboratories conduct broad and diverse basic and applied research in nuclear science, energy production, national defense and environmental and health areas.

THE UNIVERSITY'S FINANCIAL POSITION

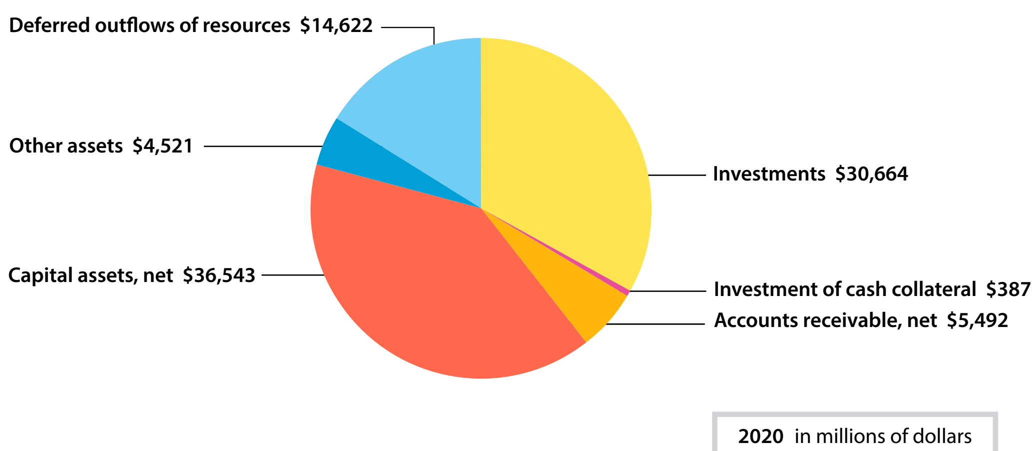
The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally in the United States and California, including cities and counties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



The statement of net position presents the financial position of the University at the end of each year. It displays all of the University's assets, deferred outflows, liabilities and deferred inflows. The difference between assets, deferred outflows, liabilities and deferred inflows is net position. The major components of the assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2020, 2019 and 2018 are as follows:

(in millions of dollars)	**2020**	**2019**	**2018**
ASSETS			
Investments	$30,664	$28,707	$27,369
Investment of cash collateral	387	955	1,165
Accounts receivable, net	5,492	5,407	4,062
Capital assets, net	36,543	34,229	32,325
Other assets	4,521	4,580	3,132
Total assets	**77,607**	**73,878**	**68,053**
DEFERRED OUTFLOWS OF RESOURCES	**14,622**	**10,701**	**4,669**
LIABILITIES			
Debt, including commercial paper	26,653	24,584	23,659
Securities lending collateral	387	955	1,164
Net pension liability	21,779	18,118	9,775
Net retiree health benefits liability	23,853	19,862	18,862
Other liabilities	12,422	10,903	8,497
Total liabilities	**85,094**	**74,422**	**61,957**
DEFERRED INFLOWS OF RESOURCES	**7,251**	**6,828**	**6,610**
NET POSITION			
Net investment in capital assets	14,443	14,284	13,578
Restricted:			
Nonexpendable	1,264	1,225	1,182
Expendable	8,770	8,211	8,272
Unrestricted	(24,593)	(20,391)	(18,877)
Total net position	**($116)**	**$3,329**	**$4,155**

The University's Assets and Deferred Outflows



The University's total assets and deferred outflows of resources have increased to $92.2 billion in 2020, compared to $84.6 billion in 2019 and $72.7 billion in 2018. Capital assets have increased due to continued investments in facilities in excess of depreciation. Investments increased due to positive financial market returns and unspent debt proceeds. Deferred outflows have increased primarily due to changes in the University's net pension and retiree health benefits liabilities.

Investments

Investments held by the University are principally carried in the following 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 and bond proceeds for construction expenditures are invested in STIP. The University uses STIP to meet operational liquidity needs. TRIP provides the opportunity to enhance returns on long-term capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. The University maximizes its use of TRIP while still maintaining sufficient funds in STIP to meet operational and liquidity needs. BGP was created in April 2019 to enhance returns by passively investing funds in the equity and fixed-income markets. To meet increased liquidity needs during the pandemic, BGP was liquidated and closed on April 30, 2020 and the funds were deposited in STIP. The GEP is a balanced portfolio and the primary investment vehicle for individual endowments and funds functioning as endowments.

The Regents of the University of California ("The Regents") utilize asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. GEP had positive returns of 5.0 percent in 2020, 8.2 percent in 2019 and 8.9 percent in 2018. BGP commenced operations on April 1, 2019 and had a positive return of 3.5 percent from inception through June 30, 2019. BGP had a negative 5.0 percent return from July 1, 2019 through April 30, 2020, when the pool was liquidated and closed. TRIP had positive returns of 1.7 percent, 6.3 percent and 4.5 percent in 2020, 2019 and 2018, respectively. STIP had positive returns of 2.1 percent, 2.2 percent and 2.0 percent in 2020, 2019 and 2018, respectively.

Investment of cash collateral

The University participates in a securities lending program incorporating securities owned by both the University and UCRS as a means to augment income. Cash collateral fluctuates in response to changes in demand from borrowers and the availability of securities based on the University's asset allocation mix.

Accounts receivable, net

Accounts receivable include amounts due from state and federal governments on contracts and grants, patient receivables for medical centers and professional medical fees, investment income, proceeds from security sales and amounts due for private grants and contracts. Receivables fluctuate based on the timing of collections and investment sales activity. In 2020 and 2019, medical center accounts receivable increased consistent with the growth in revenues. Additionally, in 2020, other receivables decreased by $207.2 million in 2020 and increased by $972.5 million in 2019 related to changes in pending sales of investment securities.

Capital assets, net

The University's enrollment growth and continuing needs for renewal, modernization and seismic correction of existing facilities are the key drivers of capital investments. Capital spending continued at a brisk pace in order to provide the facilities necessary to support the University'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 at all ten campuses and five medical centers. The University has had a goal to increase affordable campus housing for more students given escalating living costs in many of the surrounding campus communities. The largest capital asset additions in 2020 and 2019 were the Merced campus expansion and the construction of housing facilities at several campuses. The project to expand the Merced campus was completed in the summer of 2020. Total additions of capital assets were $4.6 billion in 2020 as compared to $4.1 billion in 2019 and $3.7 billion in 2018.

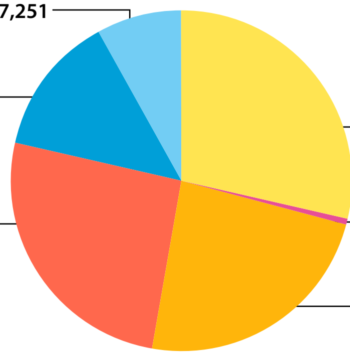
Other assets

Other assets include cash, investments held by trustees, pledge receivables, note and mortgage receivables, inventories and receivables from the DOE. In 2020, investments held by trustees decreased due to retirement of taxable bonds maturing on July 1, 2019 and the use of bond proceeds to construct third-party housing facilities. In 2019, $286.5 million was held by trustees to retire taxable bonds maturing on July 1, 2019. Current and noncurrent investments held by trustees increased by $524.1 million related to bond proceeds for the design and construction of third-party housing facilities in 2019, which decreased as proceeds were spent on construction in 2020. Inventories increased in 2020 due to the purchase of personal protective equipment and laboratory supplies for COVID-19. The noncurrent receivable from the DOE, which fluctuates with the net pension and retiree health benefits liabilities due to the DOE's continuing responsibility to contribute for retired and terminated vested members of LLNL and LANL, increased by $141.0 million in 2020 as compared to 2019 and increased by $605.5 million in 2019 as compared to 2018.

Deferred outflows of resources

Changes in fair values of the University's interest rate swaps that are determined to be hedging derivatives, losses on debt refundings, asset retirement obligations and certain changes in the net pension and net retiree health benefits liabilities are reported as deferred outflows of resources. In 2020, deferred outflows increased primarily due to lower than expected investment returns for the University of California Retirement Plan (UCRP) and the reduction in the discount rate for estimating the net retiree health benefits liability. In 2019, deferred outflows increased primarily for pension and retiree health benefits liabilities due to changes in assumptions from the experience study for the University.

The University's Liabilities and Deferred Inflows



The University's liabilities and deferred inflows of resources increased to $92.3 billion in 2020 as compared to $81.2 billion in 2019 and $68.6 billion in 2018. The change in 2020 was primarily related to the issuance of additional debt to finance capital projects and increases in the liabilities for pension benefits and retiree health benefits. In 2019, the increase was primarily related to increases in the liability for pension benefits and other liabilities.

Debt, including commercial paper

Capital assets are financed from a variety of sources, including University equity contributions, state support, gifts, revenue bonds, bank loans and leases or structures that involve separate legal entities. Commercial paper and bank loans provide interim financing for capital assets during the construction period.

Outstanding debt increased by $2.1 billion and $0.9 billion in 2020 and 2019, respectively. A summary of the activity follows:

(in millions of dollars)	2020	2019
ADDITIONS TO OUTSTANDING DEBT		
General Revenue Bonds		$653
Medical Center Pooled Revenue Bonds	$1,949	
Blended Component Unit Revenue Bonds	175	662
Capital leases	48	16
Other borrowings	207	260
Commercial paper, net	753	
Bond premium, net	35	77
Additions to outstanding debt	**3,167**	**1,668**
REDUCTIONS TO OUTSTANDING DEBT		
Refinancing and prepayments	(218)	
Scheduled principal payments	(752)	(419)
Payments on other borrowings	(25)	(15)
Commercial paper, net		(207)
Amortization of bond premium	(102)	(102)
Reductions to outstanding debt	**(1,097)**	**(743)**
Net increase in outstanding debt	**$2,070**	**$925**

The University's debt, which is used to primarily finance capital assets, includes $1.3 billion, $574.5 million and $781.8 million of commercial paper outstanding at the end of 2020, 2019 and 2018, respectively. Total debt outstanding was $26.7 billion at the end of 2020 compared to $24.6 billion and $23.7 billion at the end of 2019 and 2018, respectively.

In 2020, $1.9 billion of Medical Center Pooled Revenue Bonds, including $1.8 billion in long-dated taxable bonds, were issued to finance the acquisition, construction, improvement and renovation of certain facilities at the University's medical centers. Proceeds of $149.2 million were used to refund outstanding Medical Center Pooled Revenue Bonds. Additionally, $175.1 million of tax-exempt bonds were issued to finance the construction of third-party housing facilities. Reductions to outstanding debt include $777.6 million for scheduled principal payments.

In 2019, General Revenue Bonds of $653.1 million were issued for operations and to finance certain facilities and projects. Proceeds of $286.5 million were used to retire bonds maturing on July 1, 2019. Additionally, $662.5 million of tax-exempt bonds were issued to finance the construction of third-party housing and dining facilities. Reductions to outstanding debt include $434.4 million for scheduled principal payments.

In August 2016, the University entered into an agreement with a developer to design, construct, finance, operate and maintain certain auxiliary, administrative, academic and research facilities to expand the Merced campus, for which the University financed $600 million of the total costs. Other borrowings at June 30, 2020 and 2019 include $652.0 million and $539.7 million, respectively, for the present value of the payments expected to be made over the term of the agreement through 2055 for the repayment of the private debt incurred by the developer during construction. In the event the agreement with the developer is terminated, the outstanding portion of the private debt incurred by the developer for the construction phase will become an obligation of the University.

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

Commercial paper borrowings increased by $752.5 million in 2020 as compared to 2019 and decreased by $207.3 million in 2019 compared to 2018. Commercial paper is primarily used as interim financing for construction projects and short-term financing for other needs. Commercial paper fluctuates based upon the timing of refinancing construction projects with the issuance of long-term revenue bonds. The University has various revolving credit agreements totaling $700.0 million with major financial institutions for the purpose of providing additional liquidity for certain variable-rate demand bonds, commercial paper and for other liquidity needs.

Securities lending collateral

Under the securities lending program, the University records a liability to the borrower for cash collateral received and held by the University for securities on loan at the end of the year. All borrowers are required to provide additional collateral by the next business day if the value of the collateral falls to less than 100 percent of the fair value of the securities lent. The amount of the securities lending collateral liability fluctuates directly with securities lending opportunities and the investment of cash collateral.

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. The University's net pension liability was $21.8 billion, $18.1 billion and $9.8 billion in 2020, 2019 and 2018, respectively. The increase in 2020 was primarily driven by lower than expected investment returns for the UCRP portfolio. The increase in 2019 was primarily driven by changes in assumptions as a result of the most recent experience study, with the reduction in the discount rate and the changes in the mortality tables causing the largest increases. The total investment rate of return for UCRP was 1.7 percent in 2020, 6.0 percent in 2019 and 7.8 percent in 2018. The discount rate used to estimate the net pension liability was 6.75, 6.75 and 7.25 percent in 2020, 2019 and 2018, respectively.

LBNL participates in the University's defined benefit pension plan, although the DOE has an ongoing financial responsibility to reimburse the University for LBNL's share of the obligation to UCRP. In addition, under certain circumstances, the University makes contributions to UCRP for LANL and LLNL retirees and, based upon contractual arrangements with the DOE, is reimbursed by the DOE. The University recorded receivables from the DOE of $1.0 billion, $911.5 million and $316.7 million for 2020, 2019 and 2018, respectively, representing the DOE's share of the net pension liability.

The University's net retiree health benefits liability was $23.9 billion, $19.9 billion and $18.9 billion, in 2020, 2019 and 2018, respectively. While retiree health benefits are not a legal obligation of the University and can be canceled or modified at any time, accounting standards require the University to recognize a net retiree health benefits liability based on the current practices of providing retiree health benefits. The University funds the retiree health benefits through UCRHBT based on a projection of benefits on a pay-as-you-go basis and the assets in the trust are not sufficient to fund retiree health benefits. Therefore, the Bond Buyer 20-year tax-exempt general obligation municipal-bond index rate is used to discount the retiree health benefits liabilities. The increase in the net retiree health benefits liability was primarily driven by a decrease in the discount rate. The change in the net retiree health benefits liability in 2019 was driven by the decrease in the discount rate offset by reducing the inflation assumption and strong management of health care costs. The discount rates as of June 30, 2020, 2019 and 2018 were 2.21 percent, 3.50 percent and 3.87 percent, respectively.

LBNL participates in the University's retiree health benefits plans and, based on contractual arrangements with the DOE, the University is reimbursed for retiree health benefits costs associated with retirees who previously worked at LBNL. The University recorded receivables from the DOE of $691.0 million, $667.6 million and $656.9 million for 2020, 2019 and 2018, respectively, representing the DOE's share of the net retiree health benefits liability.

Other liabilities

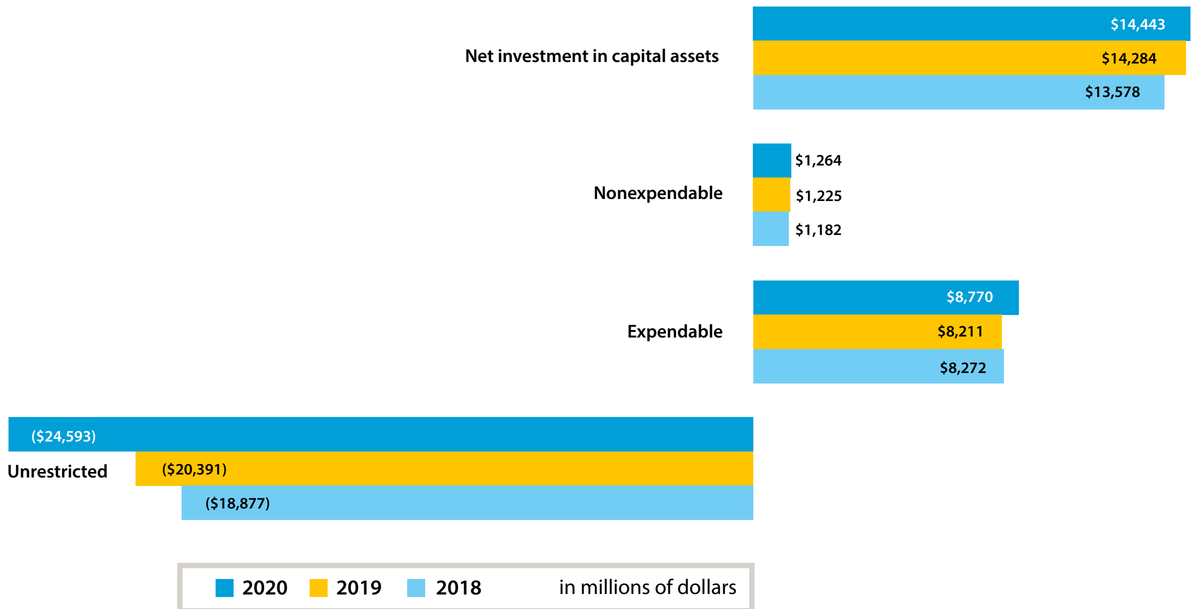
Other liabilities consist of accounts payable, accrued salaries, other employee benefits, unearned revenue, funds held for others, DOE laboratories' liabilities, federal refundable loans, self-insurance liabilities and obligations under split-interest agreements held by the University. Centers for Medicare & Medicaid Services (CMS) modified the advance payment program for health care providers as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and the medical centers received advances under this program of $920.3 million as of June 30, 2020, which is reported in other current liabilities. In 2020 and 2019, accrued salaries and employee benefits increased due to the timing of payroll and benefit payments. In 2020, accrued liabilities increased by $177.5 million primarily due to the deferral of deposits for the employer's share of the Social Security taxes as permitted under the CARES Act. In 2019, accounts payable increased by $1.1 billion primarily due to higher payables for securities purchased as of June 30, 2019.

Deferred inflows of resources

Deferred inflows of resources are related to the University's service concession arrangements, 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 benefits liabilities.

The University's Net Position

Net position represents the residual interest in the University's assets and deferred outflows after all liabilities and deferred inflows are deducted. The University's net position was negative $0.1 billion in 2020 compared to positive $3.3 billion in 2019 and positive $4.2 billion in 2018. Net position is reported in the following categories: net investment in capital assets; restricted, nonexpendable; restricted, expendable; and unrestricted.



Net investment in capital assets

The portion of net position invested in capital assets, net of accumulated depreciation and the related outstanding debt used to finance the acquisition, construction or improvement of these capital assets, was $14.4 billion in 2020 compared to $14.3 billion in 2019 and $13.6 billion in 2018. To support its growth, the University continues to invest in its physical facilities and financing with debt is used for a significant portion of the investments.

Restricted, nonexpendable

Restricted, nonexpendable net position includes the corpus of the University's permanent endowments. In 2020 and 2019, the increase in restricted nonexpendable net position was 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 University assets available to pay such obligations. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of the University's reserves are allocated for academic and research initiatives or programs, for capital projects or for other purposes.

THE UNIVERSITY'S RESULTS OF OPERATIONS

The statement of revenues, expenses and changes in net position is a presentation of the University's operating results and indicates whether the financial condition has improved or deteriorated. In accordance with the Governmental Accounting Standards Board (GASB) requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the University are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts and investment income. A summarized comparison of the operating results for 2020, 2019 and 2018, arranged in a format that matches the revenue supporting the core activities of the University with the expenses associated with these core activities, is as follows:

	2020			2019			2018		
(in millions of dollars)	OPERATING	NONOPERATING	TOTAL	OPERATING	NONOPERATING	TOTAL	OPERATING	NONOPERATING	TOTAL
REVENUES									
Student tuition and fees, net	$5,298		$5,298	$5,170		$5,170	$4,839		$4,839
State educational appropriations		$3,686	3,686		$3,508	3,508		$3,386	3,386
Direct government grants		684	684						
Federal Pell Grants		443	443		438	438		422	422
Grants and contracts, net	6,249		6,249	5,977		5,977	5,709		5,709
Medical centers, net	14,170	23	14,193	13,208	34	13,242	12,065	22	12,087
Educational activities, net	4,229		4,229	4,009		4,009	3,670		3,670
Auxiliary enterprises, net	1,415		1,415	1,717		1,717	1,685		1,685
Department of Energy laboratories	1,083		1,083	1,577		1,577	1,062		1,062
Private gifts, net		1,516	1,516		1,441	1,441		1,315	1,315
Investment income, net		385	385		442	442		413	413
Other revenues	1,046	54	1,100	937	53	990	971	127	1,098
Revenues supporting core activities	**33,490**	**6,791**	**40,281**	**32,595**	**5,916**	**38,511**	**30,001**	**5,685**	**35,686**
EXPENSES									
Salaries and wages	18,427		18,427	16,984		16,984	15,953		15,953
Pension benefits	5,355		5,355	4,340		4,340	1,339		1,339
Retiree health benefits	1,692		1,692	1,292		1,292	1,295		1,295
Other employee benefits	3,593		3,593	3,289		3,289	3,246		3,246
Scholarships and fellowships	1,039		1,039	850		850	767		767
Utilities	318		318	336		336	304		304
Supplies and materials	4,218		4,218	4,057		4,057	3,610		3,610
Depreciation and amortization	2,184		2,184	2,100		2,100	2,027		2,027
Department of Energy laboratories	1,076		1,076	1,571		1,571	1,055		1,055
Interest expense		922	922		767	767		746	746
Other expenses	5,503	89	5,592	5,284	72	5,356	4,851		4,851
Expenses associated with core activities	**43,405**	**1,011**	**44,416**	**40,103**	**839**	**40,942**	**34,447**	**746**	**35,193**
Income (loss) from core activities	**($9,915)**	**$5,780**	**(4,135)**	**($7,508)**	**$5,077**	**(2,431)**	**($4,446)**	**$4,939**	**493**
OTHER NONOPERATING ACTIVITIES									
Net appreciation in fair value of investments			406			1,387			890
Income (loss) before other changes in net position			**(3,729)**			**(1,044)**			**1,383**
OTHER CHANGES IN NET POSITION									
State capital appropriations			(1)						
Capital gifts and grants, net			252			195			403
Permanent endowments			33			23			25
Increase (decrease) in net position			**(3,445)**			**(826)**			**1,811**
NET POSITION									
Beginning of year			3,329			4,155			2,344
End of year			**($116)**			**$3,329**			**$4,155**

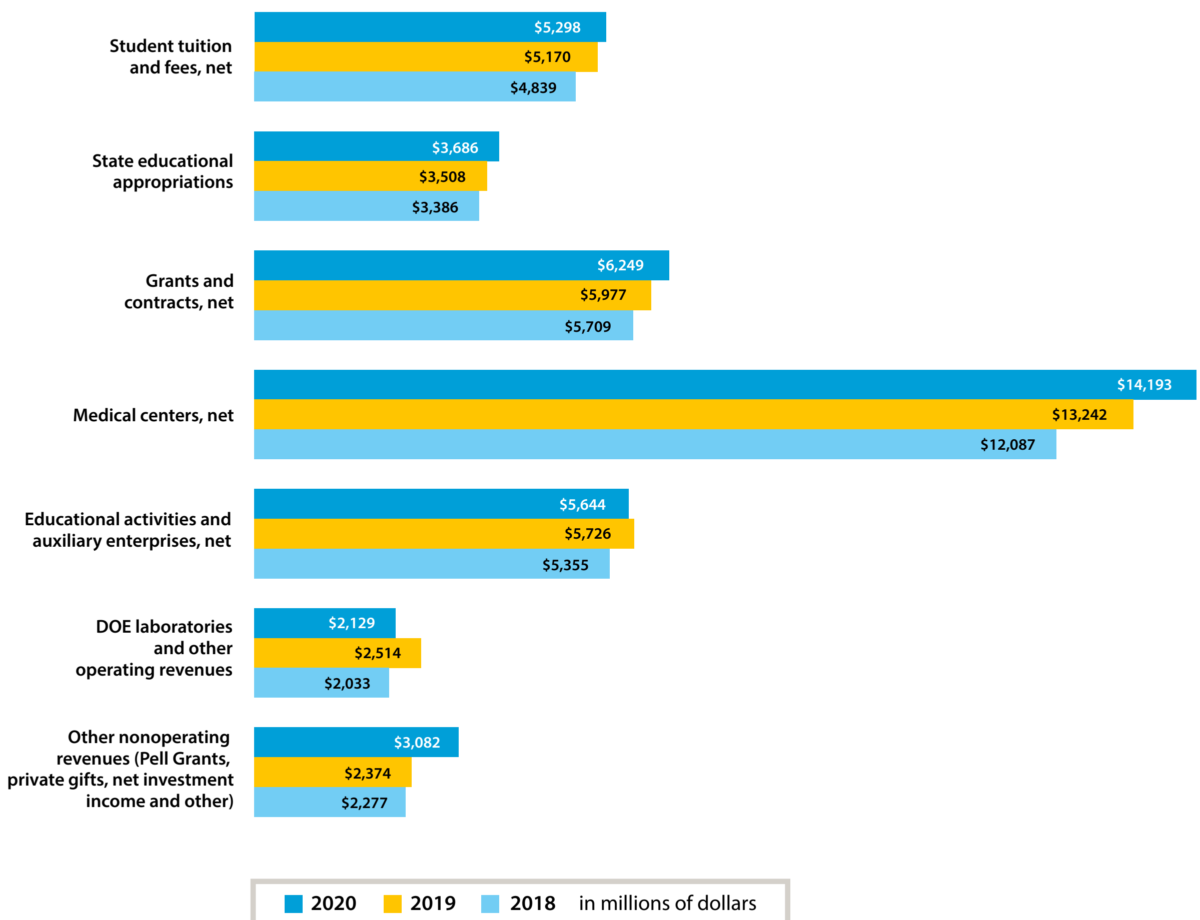
Revenues supporting core activities

Revenues to support the University's core activities, including those classified as nonoperating revenues, were $40.3 billion, $38.5 billion and $35.7 billion in 2020, 2019 and 2018, respectively. These diversified sources of revenue increased by $1.8 billion in 2020 and $2.8 billion in 2019.

The state of California's educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of the University. 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.

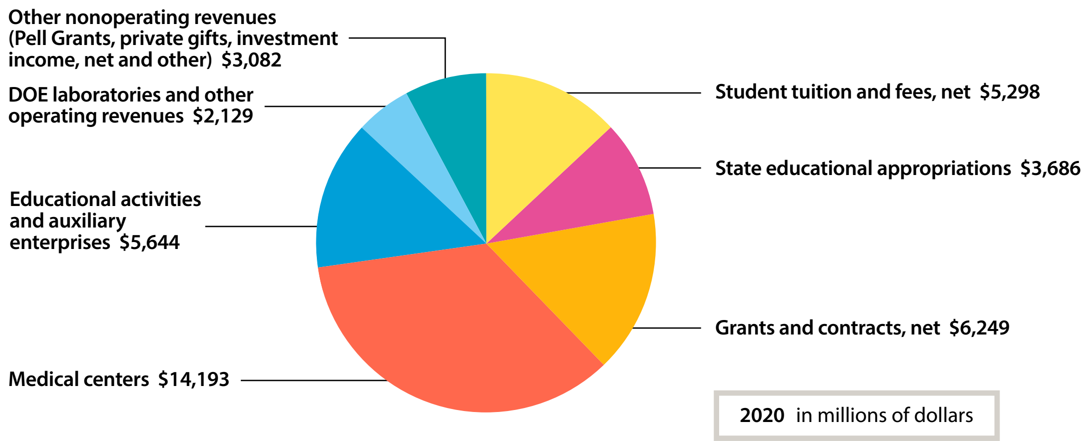
Gifts to the University allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives. Other significant revenues are from medical centers, educational activities and auxiliary enterprises such as student housing, food service operations and parking.

The growth in certain revenues slowed in 2020 due to the impacts of COVID-19. Revenues in the various categories have changed as follows:



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

Categories of both operating and nonoperating revenue that supported the University's core activities in 2020 are as follows:



Student tuition and fees, net

Net student tuition and fees were $5.3 billion, $5.2 billion and $4.8 billion in 2020, 2019 and 2018, respectively. Scholarship allowances, or financial aid, are the difference between the stated charge for tuition and fees and the amount that is paid by the student and third parties on behalf of the student. Scholarship allowances, netted against student tuition and fees, were $1.3 billion, $1.2 billion and $1.3 billion in 2020, 2019 and 2018, respectively. Student tuition and fees, net of scholarship allowances, increased by $127.8 million and $331.4 million in 2020 and 2019, respectively, due to enrollment growth.

In 2020, enrollment grew by 1.7 percent and in 2019 enrollment grew by 2.6 percent. Mandatory tuition for resident undergraduates remained the same in 2020 and decreased 0.5 percent in 2019. Certain nonresident undergraduates and resident and nonresident graduate students experienced increases in mandatory tuition and fees. Professional degree supplemental tuition varies by discipline; certain increases were approved for 2020, 2019 and 2018.

State educational appropriations

Educational appropriations from the state of California were $3.7 billion, $3.5 billion and $3.4 billion in 2020, 2019 and 2018, respectively. State educational appropriations increased in 2020 and 2019 by $178.0 million and $122.0 million, respectively.

Direct government grants

In 2020, the University received funds under certain provisions of the CARES Act to minimize the impacts of lost revenues and increased expenses related to COVID-19. The campuses received $210.0 million in grants to provide emergency financial aid to students and to mitigate the impacts of lost revenue and additional technology expenses associated with moving to online education. The medical centers received $438.6 million and the faculty practices received $35.0 million in CARES Act provider relief funding for lost health care revenues and additional expenses for treating patients with COVID-19.

Grants and contracts, net

Revenue from federal, state, private and local government grants and contracts — including an overall facilities and administration cost recovery of $1.2 billion, $1.2 billion and $1.1 billion in 2020, 2019 and 2018, respectively — was $6.2 billion, $6.0 billion and $5.7 billion in 2020, 2019 and 2018, respectively.

In 2020, federal grants and contracts revenue increased $179.0 million, or 5.1 percent, as compared to 2019. In 2019, federal grants and contracts revenue increased $227.0 million, or 6.9 percent, as compared to 2018. Federal grants and contracts include federal facilities and administrative cost recovery of $862.0 million, $829.0 million and $782.0 million in 2020, 2019 and 2018, respectively. Changes in the federal budget impact the University's growth in federal grants and contracts. Grants and contracts revenue, including grants for research related to COVID-19 in 2020, is from a variety of federal agencies as indicated below:

(in millions of dollars)	**2020**	**2019**	**2018**
Department of Health and Human Services	$2,274	$2,176	$2,035
National Science Foundation	456	461	464
Department of Education	84	81	78
Department of Defense	328	299	261
National Aeronautics and Space Administration	89	91	86
Department of Energy (excluding national laboratories)	134	118	108
Other federal agencies	343	303	270
Federal grants and contracts net revenue	**$3,708**	**$3,529**	**$3,302**

Medical centers, net

Medical center revenues, net of allowances, increased $1.0 billion, or 7.2 percent, in 2020 and increased $1.2 billion, or 9.6 percent, in 2019. Revenues growth was impacted in 2020 due to the lower occupancy starting in March, as the medical centers canceled elective procedures in preparation for an expected flood of patients with COVID-19. In May, some elective procedures resumed and hospital volumes are gradually increasing; however, volumes were still lower than normal. Revenues increased in 2019 due to increases in both inpatient and outpatient volumes and higher supplemental payments.

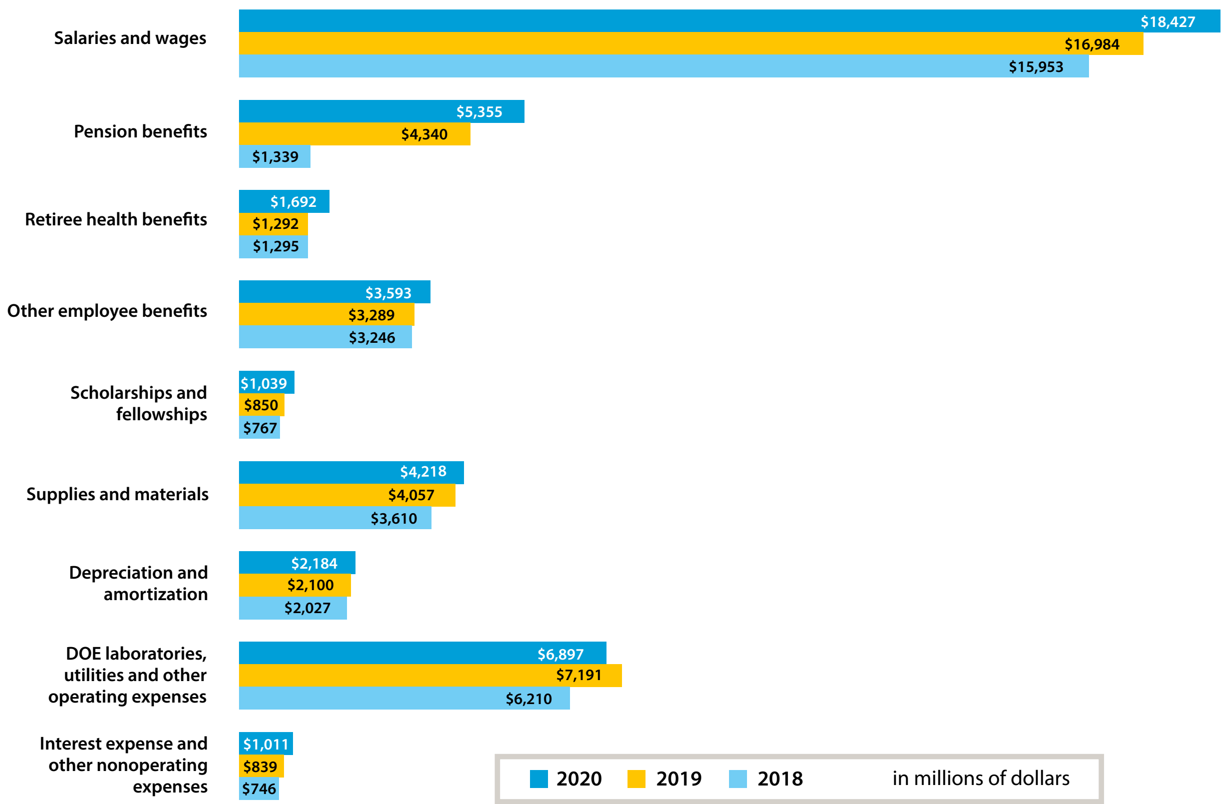
Educational activities and auxiliary enterprises, net

Revenue from educational activities, primarily medical professional fees, net of allowances, increased by $219.8 million, or 5.5 percent, in 2020 and increased by $338.5 million, or 9.2 percent, in 2019. Revenues increased slower in 2020 due to the cancellation of clinic visits, starting in March, as a result of the outbreak of COVID-19. The growth in 2019 is generally associated with an expanded patient base and improved collections.

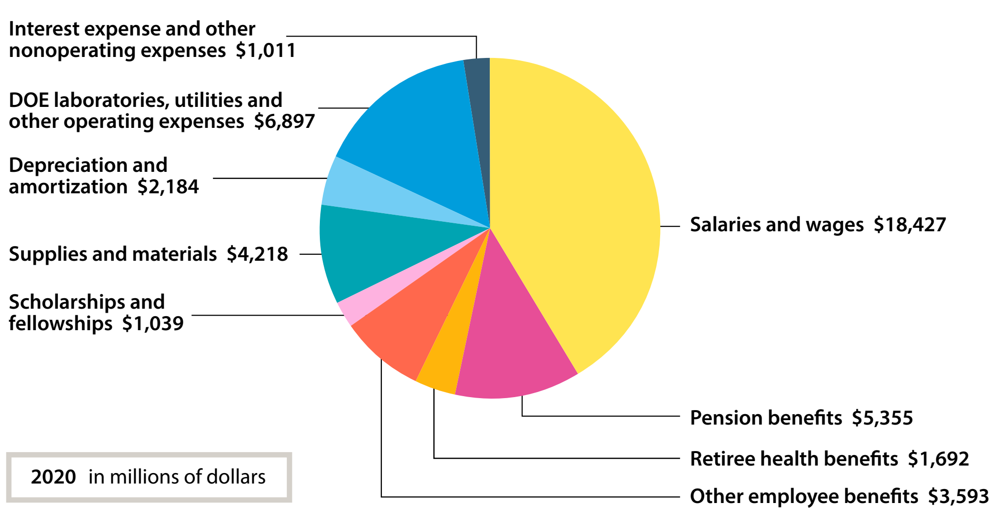
Auxiliary enterprises include housing, food service, parking, bookstores, student centers, unions and child-care centers. Revenue from auxiliary enterprises, net of allowances, decreased by $301.6 million, or 17.6 percent, in 2020 and increased by $32.0 million, or 1.9 percent, in 2019. In the spring of 2020, when the state orders to shelter in place were issued, students were permitted to cancel housing contracts for the remainder of the academic year. Many students elected to move home and student refunds of $299.0 million were issued related to canceled housing contracts and dining plans. In 2019, auxiliary revenues increased consistent with enrollment and the University's initiative to expand campus housing while minimizing increases in housing costs for students.

Expenses associated with core activities

Expenses associated with the University's core activities, including those classified as nonoperating expenses, were $44.4 billion, $40.9 billion and $35.2 billion in 2020, 2019 and 2018, respectively. Expenses increased in 2020 by $3.5 billion and in 2019 by $5.7 billion. The University's operations continued to grow, principally at the medical centers, and salaries and employee benefits increased consistent with the overall expected growth in operations. In 2020, supplies and equipment expenses increased due to COVID-19, pension expenses increased due to lower than expected returns and retiree health benefits increased due to a lower discount rate. In 2019, pension expense, representing the largest change, increased by $3.0 billion due to changes in assumptions as a result of the experience study. Expenses in the various categories are as follows:



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



Salaries and benefits

Approximately two-thirds of the University's expenses are related to salaries and benefits. There were 169,800 full-time equivalent (FTE) employees in 2020, excluding employees who were associated with LBNL, whose salaries and benefits were included as laboratory expenses, as compared to 162,600 FTEs in 2019. Total salaries and benefits increased by 12.2 percent and 18.7 percent in 2020 and 2019, respectively, primarily driven by higher pension and retiree health expenses.

In 2020, salaries increased by 8.5 percent, 4.5 percent due to an increase in the number of FTEs and 4.0 percent due to an increase in the average salary per FTE. Even though the University moved to online learning starting in March 2020, the University elected not to layoff any employees before June 30, 2020. Employee benefits, excluding pension and retiree health care benefits, increased by $304.1 million, or 9.2 percent, in 2020, consistent with the increase in FTEs and due to higher costs for health care benefits. Pension expense increased by $1.0 billion, or 23.4 percent, due to lower than expected investment returns. Retiree health benefits expense increased by $399.9 million or 30.9 percent due to the decrease in the discount rate.

In 2019, salaries increased by 6.5 percent, 2.4 percent due to an increase in the number of FTEs and 4.1 percent due to an increase in the average salary per FTE. Employee benefits, excluding pension and retiree health care benefits, increased by $43.0 million, or 1.3 percent in 2019, which is less than the increase in FTEs due to the management of healthcare costs. Pension expense increased by $3.0 billion or 224.0 percent due to changes in assumptions related to the experience study. In 2019, retiree health expense decreased by $2.6 million or 0.2 percent due to the decrease in the discount rate offset by reducing the inflation assumption and management of health care costs.

Scholarships and fellowships

The University 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 the University, were $2.5 billion, $2.3 billion and $2.3 billion in 2020, 2019 and 2018, respectively. Scholarships and fellowships, representing payments of financial aid made directly to students and reported as an operating expense were $1.0 billion, $850.4 million and $766.9 million in 2020, 2019 and 2018, respectively. On a combined basis, as the University continues its commitment to provide financial support for needy students, financial aid in all forms increased by $200.4 million, or 8.6 percent, in 2020 as compared to 2019, and by $77.9 million, or 3.5 percent, in 2019 as compared to 2018. Increases in financial aid, scholarships and fellowships in both 2020 and 2019 are consistent with increases in enrollment, tuition and fees and housing costs since the University's practice is to minimize the impact of cost increases on first-generation and low-income students. Financial aid includes payments to students of $116.4 million in 2020 related to funds received under the CARES Act.

Supplies and materials

During 2020 and 2019, supplies and materials costs increased by $161.0 million, or 4.0 percent and $446.9 million, or 12.4 percent, respectively. The largest increases occurred at the medical centers due to patient volumes. In 2020, expenses for personal protective, laboratory and cleaning supplies increased due to the outbreak of COVID-19. In 2019, supply costs also increased for research activities related to the increased federal contract 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. The University 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 $9.9 billion, $7.5 billion and $4.4 billion in 2020, 2019 and 2018, respectively. The operating losses in 2020, 2019 and 2018 were offset by $5.8 billion, $5.1 billion and $4.9 billion, respectively, of net nonoperating revenue that supports core operating activities of the University. Expenses exceeded revenues associated with core activities in 2020 by $4.1 billion and by $2.4 billion in 2019, and in 2018 revenues exceeded expenses by $0.5 billion. In 2020, the net loss is due to lost revenues and increased expenses as a result of COVID-19 and higher pension expense related to lower than expected investment earnings. In 2019, the decrease is due to increased pension expense related to changes in assumptions, primarily a lower discount rate and inflation expectation and longer mortality tables, as a result of the experience study.

Other nonoperating activities

The University's other nonoperating activities, consisting of net appreciation or depreciation in the fair value of investments, are noncash transactions and, therefore, are not available to support operating expenses. In 2020, 2019 and 2018, the University recognized net appreciation in the fair value of investments of $0.4 billion, $1.4 billion and $0.9 billion, respectively. The University's portfolio experienced positive returns in the equity markets.

Other changes in net position

Similar to other nonoperating activities discussed above, other changes in net position are also not available to support the University'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 UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS

Separate foundations at each individual campus provide valuable assistance in fundraising, public outreach and other support for the missions of the campus and the University. Although independent boards govern each of the foundations, they are affiliated with, and their assets are dedicated for, the benefit of the University of California.

The Campus Foundations' Financial Position

The campus foundations' statement of net position presents their combined financial position at the end of the year. It displays all of the campus foundations' assets, liabilities, deferred inflows and net position. The difference between assets, liabilities and deferred inflows is net position, representing a measure of the current financial condition of the campus foundation.

The major components of the combined assets, liabilities and net position of the campus foundations at June 30, 2020, 2019 and 2018 are as follows:

(in millions of dollars)	2020	2019	2018
ASSETS			
Investments	$10,758	$9,978	$9,240
Investment of cash collateral	42	36	45
Accounts receivable, net	102	37	13
Pledges receivable, net	842	888	1,006
Other assets	478	579	567
Total assets	**12,222**	**11,518**	**10,871**
LIABILITIES			
Current liabilities	485	419	415
Noncurrent liabilities	435	428	421
Total liabilities	**920**	**847**	**836**
DEFERRED INFLOWS OF RESOURCES	**213**	**229**	**232**
NET POSITION			
Restricted:			
Nonexpendable	5,326	4,885	4,407
Expendable	5,106	5,018	4,966
Unrestricted	657	539	430
Total net position	**$11,089**	**$10,442**	**$9,803**

Investments increased in 2020 and 2019 due to the performance of the financial markets. The Board of Trustees for each campus foundation is responsible for its specific investment policy, although asset allocation guidelines are recommended to campus foundations by the Investments Committee of The Regents. The Boards of Trustees may determine that all or a portion of their investments will be managed by the University's Chief Investment Officer. The Chief Investment Officer managed $3.0 billion, $2.9 billion and $2.6 billion of the campus foundations' investments at the end of 2020, 2019 and 2018, respectively.

Net position represents the residual interest in the assets after all liabilities and deferred inflows are deducted. Restricted, nonexpendable net position includes the corpus of the campus foundations' permanent endowments and new gifts are the primary reason for the increase each year. Restricted, expendable net position is subject to externally imposed restrictions and is only available in accordance with the restrictions placed upon them by donors. Restricted, expendable net position also includes endowment income and investment gains, subject to each individual campus foundation's spending policy. New gifts less grants to campuses and changes in the fair value of investments were the primary reasons for the changes in net position in 2020 and 2019.

The Campus Foundations' Results of Operations

The campus foundations' combined statement of revenues, expenses and changes in net position is a presentation of their operating results for the year. It indicates whether their financial condition has improved or declined during the year.

A summarized comparison of the operating results for 2020, 2019 and 2018 is as follows:

(in millions of dollars)	**2020**	**2019**	**2018**
OPERATING REVENUES			
Private gifts and other revenues	$1,303	$919	$1,341
Total operating revenues	**1,303**	**919**	**1,341**
OPERATING EXPENSES			
Grants to campuses and other expenses	1,330	1,170	1,136
Total operating expenses	**1,330**	**1,170**	**1,136**
Operating income (loss)	**(27)**	**(251)**	**205**
NONOPERATING REVENUES			
Investment income	51	71	77
Net appreciation in fair value of investments	180	361	646
Income before other changes in net position	**204**	**181**	**928**
OTHER CHANGES IN NET POSITION			
Permanent endowments	443	458	409
Increase in net position	**647**	**639**	**1,337**
NET POSITION			
Beginning of year	10,442	9,803	8,466
End of year	**$11,089**	**$10,442**	**$9,803**

Operating expenses generally consist of grants to University campuses. Grants to the campuses include current-use donor gifts, the annual income distributions on endowments and gift fees. Grants to campuses typically follow the pattern indicated by private gift revenue; however, the campuses' programmatic needs are also taken into consideration, subject to abiding by the restricted purposes specified by the donor for the use of gifts and endowment income.

Since gifts are transferred only when the cash is received and investment income is classified as nonoperating income, operating losses can occur when grants distributed to the campuses exceed gift revenues.

THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

UCRS is a valuable component of the comprehensive benefits package offered to employees of the University. UCRS consists of two defined benefit plans and four defined contribution plans. The defined benefit plans include the University of California Retirement Plan (UCRP) for members and the California Public Employees Retirement System (PERS) Voluntary Early Retirement Incentive Plan (UC-VERIP) for certain University employees that were members of PERS who elected early retirement. The University of California Retirement Savings Program (UCRSP) includes four defined contribution plans (Defined Contribution Plan, Supplemental Defined Contribution Plan, 403(b) Plan and 457(b) Plan), with several investment portfolio options for participants' elective and nonelective contributions.

UCRS' Financial Position and Result of Operations

The statement of plans' fiduciary net position presents the financial position of UCRS at the end of the fiscal year. It displays all of the retirement system's assets, liabilities and net position. The difference between assets and liabilities is the net position held in trust for pension benefits. These represent amounts available to provide pension benefits to members of UCRP and participants in the defined contribution plans and UC-VERIP. At June 30, 2020, UCRS' assets were $109.5 billion, liabilities were $11.3 billion and net position held in trust for pension benefits were $98.2 billion, an increase of $2.1 billion from 2019. At June 30, 2019, UCRS' assets were $104.8 billion, liabilities were $8.6 billion and net position held in trust for pension benefits were $96.1 billion, an increase of $4.9 billion from 2018.

The major components of the assets, liabilities and net position available for pension benefits for 2020, 2019 and 2018 are as follows:

(in millions of dollars)	**2020**	**2019**	**2018**
ASSETS			
Investments	$97,278	$95,457	$90,873
Participants' interests in mutual funds	1,829	1,692	1,585
Investment of cash collateral	7,589	6,129	6,158
Other assets	2,828	1,488	465
Total assets	**109,524**	**104,766**	**99,081**
LIABILITIES			
Securities lending collateral	7,589	6,127	6,157
Other liabilities	3,690	2,517	1,699
Total liabilities	**11,279**	**8,644**	**7,856**
NET POSITION HELD IN TRUST FOR PENSION BENEFITS			
Members' defined benefit plan benefits	70,978	70,344	66,839
Participants' defined contribution plan benefits	27,267	25,779	24,386
Total net position held in trust for pension benefits	**$98,245**	**$96,123**	**$91,225**

The statements of changes in the plans' fiduciary net position are a presentation of UCRS' operating results. The statements indicate whether the financial condition has improved or deteriorated during the year. A summarized comparison of the operating results for 2020, 2019 and 2018 is as follows:

(in millions of dollars)	**2020**	**2019**	**2018**
ADDITIONS			
Contributions	$5,107	$4,815	$4,760
Net appreciation (depreciation) in fair value of investments	978	3,701	5,099
Investment and other income, net	1,590	1,725	1,556
Total additions	**7,675**	**10,241**	**11,415**
DEDUCTIONS			
Benefit payments and participant withdrawals	5,481	5,275	4,812
Plan expenses	72	68	40
Total deductions	**5,553**	**5,343**	**4,852**
Increase in net position held in trust for pension benefits	**$2,122**	**$4,898**	**$6,563**

The Regents' asset allocation strategies are intended to generate investment returns over time in accordance with investment objectives and at acceptable levels of risk. The overall investment return for UCRP was 1.7 percent in 2020 as compared to 6.0 percent in 2019 and 7.8 percent in 2018.

The participants' interests in mutual funds, representing defined contribution plan contributions to certain mutual funds on a custodial plan basis, fluctuate based upon market performance of the mutual funds and participant investment elections.

UCRS participates in the University's securities lending program as a means to augment income. All borrowers are required to provide collateral and the University records a liability to the borrower for cash collateral received and held by the University for securities on loan at the end of the year. Investments in cash collateral and the securities lending collateral liability fluctuate in response to changes in demand from borrowers and the availability of securities based upon the UCRS asset allocation mix.

Contributions to UCRP were $3.5 billion, $3.4 billion and $3.4 billion in 2020, 2019 and 2018, respectively, and including contributions from employees of $1.0 billion, $1.0 billion and $0.9 billion in 2020, 2019 and 2018, respectively. Contributions also included $169.0 million, received from the state of California in 2018 and additional deposits of $500.0 million, $500.0 million and $391.8 million made by the University in 2020, 2019 and 2018, respectively. University contribution rates to UCRP were 14.0 percent of covered payroll in 2020, 2019 and 2018. Employee contribution rates ranged between 7.0 percent and 9.0 percent in 2020, 2019 and 2018. 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. Contributions to the retirement savings plans were $1.6 billion, $1.4 billion and $1.3 billion in 2020, 2019 and 2018, respectively.

Benefit payments and participant withdrawals were $205.9 million more in 2020 than in 2019 and $463.0 million more in 2019 than in 2018. Payments from UCRP increase each year due to a growing number of retirees receiving payments and cost-of-living adjustments (COLAs). Benefit payments from UCRSP fluctuate based upon member withdrawals. Participant withdrawals increased by $77.4 million, or 5.3 percent, in 2020 as compared to 2019, and increased by $234.5 million, or 19.2 percent, in 2019 as compared to 2018. As of June 30, 2020, over 80,700 retirees and beneficiaries were receiving payments from UCRP as compared to over 79,100 as of June 30, 2019 and 75,900 as of June 30, 2018.

The net pension liability for UCRP was $21.7 billion in 2020, $18.1 billion in 2019 and $9.8 billion in 2018. The increase in net pension liability for 2020 of $3.6 billion was primarily due to lower than expected investment returns on the UCRP investment portfolio. The increase in net pension liability of $8.3 billion for 2019 was primarily due to lower than expected investment returns on the UCRP investment portfolio and assumption changes, including a lower discount rate, longer life expectancies and lower inflation. The ratio of plan net position to total pension liability was 76.6 percent in 2020, 79.5 percent in 2019 and 87.2 percent in 2018.

Additional information on the retirement plans can be obtained from the 2020 annual reports of the University of California Retirement System by writing to the University of California, Office of the President, Human Resources and Benefits, Post Office Box 24570, Oakland, California 94623.

THE UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)

UCRHBT was established on July 1, 2007 to allow certain University locations — primarily campuses and medical centers — that share the risks, rewards and costs of providing for retiree health benefits the opportunity to fund such benefits on a cost-sharing basis and accumulate funds under an arrangement segregated from University assets. The University contributes toward retiree medical and dental benefits, although it does not contribute toward the cost of other benefits available to retirees. The DOE laboratories do not participate in UCRHBT, therefore the DOE has no interest in the trust's assets.

UCRHBT's Financial Position and Result of Operations

The statement of trust's fiduciary net position presents the financial position of the UCRHBT at the end of the fiscal year. It displays the UCRHBT's assets, liabilities and net position. The difference between assets and liabilities is the net position held in trust for retiree health benefits. This represents amounts available to provide retiree health benefits to participants.

The major components of the assets, liabilities and net position available for retiree health benefits for 2020, 2019 and 2018 were as follows:

(in millions of dollars)	**2020**	**2019**	**2018**
ASSETS			
Investments	$142	$136	$128
Other assets	37	40	24
Total assets	**179**	**176**	**152**
LIABILITIES			
Total liabilities	**22**	**19**	**18**
NET POSITION HELD IN TRUST FOR RETIREE HEALTH BENEFITS			
Total net position held in trust for retiree health benefits	**$157**	**$157**	**$134**

The statement of changes in the trust's fiduciary net position is a presentation of UCRHBT's operating results and indicates whether the financial condition has improved or deteriorated during the year. Summarized operating results for 2020, 2019 and 2018 are as follows:

(in millions of dollars)	**2020**	**2019**	**2018**
ADDITIONS			
Contributions	$341	$333	$338
Investment and other income	2	3	2
Total additions	**343**	**336**	**340**
DEDUCTIONS			
Insurance premiums and payments	339	309	309
Plan expenses	4	4	4
Total deductions	**343**	**313**	**313**
Change in net position held in trust for retiree health benefits		**$23**	**$27**

Contributions for retiree health benefits are made by the campuses and medical centers based upon projected pay-as-you-go financing. The University acts as a third-party administrative agent on behalf of UCRHBT to pay health care insurers and administrators amounts currently due.

The retiree health benefits provided under the University's plan and any liabilities related to the future funding requirements for the retiree health benefits are reported by the University. The net retiree health benefits liability for UCRHBT was $23.1 billion, $19.2 billion and $18.3 billion in 2020, 2019 and 2018, respectively.

LOOKING FORWARD

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

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally, in the United States and in the state, including cities and counties throughout the state. The University continues to comply with state and local requirements to limit the number of students, faculty and staff on campuses. The University has announced that substantially all courses for the fall sessions will be held online and, as a result, occupancy in campus housing will be lower than normal capacity. Auxiliary revenues from housing, dining, parking and athletics are expected to be significantly lower for 2020-21. Additional costs for testing and tracing, cleaning and laboratory supplies and personal protective equipment for patient care and students, faculty and staff on campuses and are expected to continue for 2020-21. There have been and may continue to be material financial impacts to the University due to COVID-19 that will affect financial results for 2021 and potentially beyond.

The Governor signed the 2020-2021 State Budget Act on June 29, 2020. State funds allocated to the University of a total of $3.5 billion, which reflect a decrease of 7 percent to the University's base budget. In total, the University received a reduction of $259.3 million to its ongoing support, with permanent funding provided for the following: $25 million for the UC Riverside School of Medicine and $15 million for the UCSF Fresno branch campus.

The University 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 University's medical centers continue to face financial and competitive challenges in their regional markets, along with the added costs and responsibilities related to their function as academic institutions. The demand for health care services and the cost of providing them continue to increase significantly. In addition to the rising costs of salaries, benefits and medical supplies faced by hospitals across the state, along with the costs of maintaining and upgrading facilities, the University's medical centers also face 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 centers.

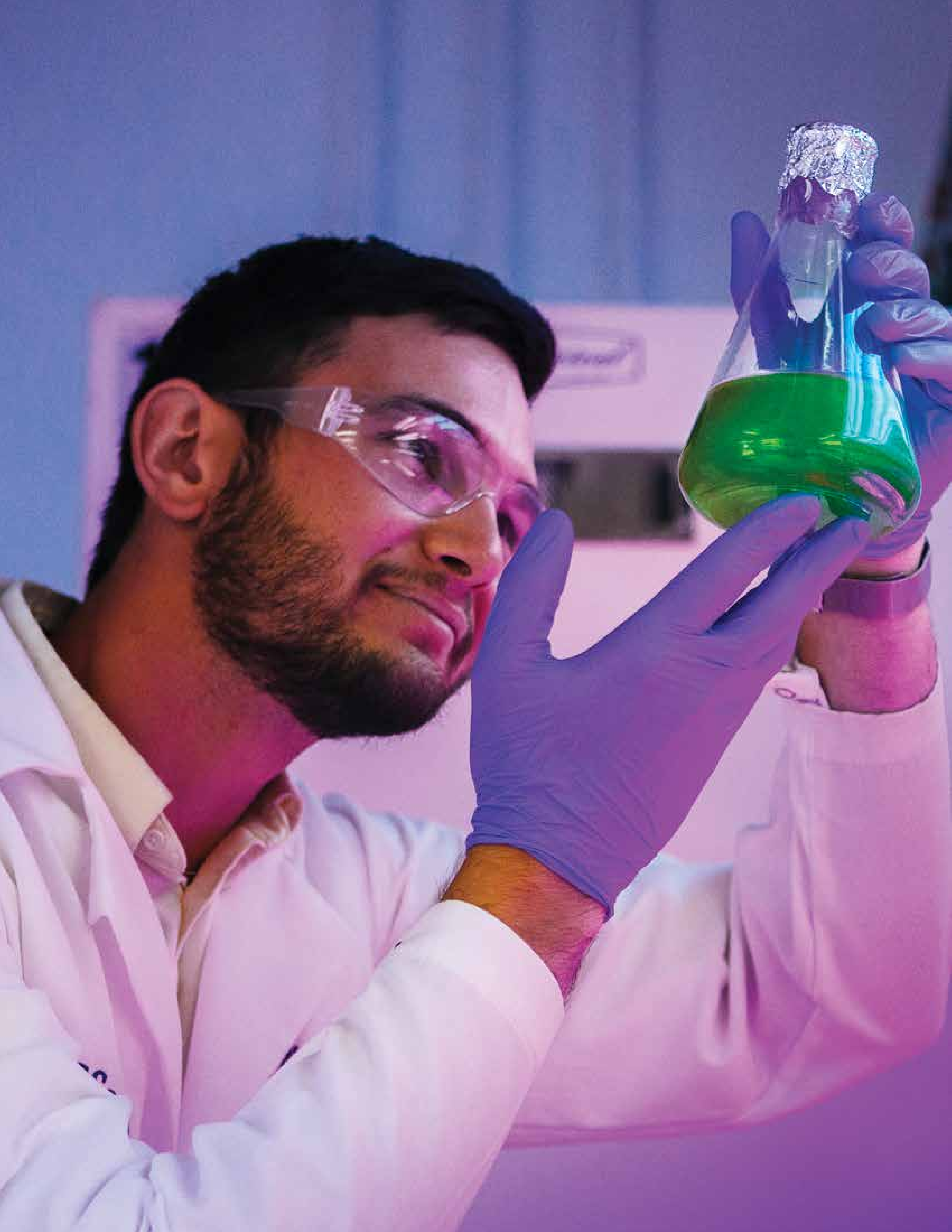
The University must have a balanced array of many categories of facilities to meet its education, research and public service goals and continues to assess its long-term capital requirements. Support for the University's capital program is expected to be provided from a combination of sources, including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

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by the University, 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 the University 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. The University 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.



Report of Independent Auditors

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

We have audited the accompanying financial statements of the University of California (the "University"), a component unit of the state of California, its aggregate discretely presented component units, the University of California Retirement System, and the University of California Retiree Health Benefit Trust as of and for the years ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University, its aggregate discretely presented component units, the University of California Retirement System, and the University of California Retiree Health Benefit Trust as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying management's discussion and analysis on pages 12 through 31 and the required supplemental information on pages 108 through 117 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

San Francisco, California
October 9, 2020

UNIVERSITY OF CALIFORNIA

STATEMENTS OF NET POSITION

	UNIVERSITY OF CALIFORNIA		CAMPUS FOUNDATIONS	
At June 30, 2020 and 2019 (in thousands of dollars)	**2020**	**2019**	**2020**	**2019**
ASSETS				
Cash and cash equivalents	$355,748	$143,127	$357,849	$458,594
Short-term investments	8,392,586	4,923,749	823,718	875,652
Investment of cash collateral	350,610	839,994	37,995	32,733
Investments held by trustees	424,627	914,176		
Accounts receivable, net	5,491,637	5,406,680	102,426	37,496
Pledges receivable, net	29,581	28,039	194,541	201,299
Current portion of notes and mortgages receivable, net	63,855	66,357		
Inventories	340,359	266,839		
Department of Energy receivable	174,578	155,027		
Other current assets	420,703	401,781	14,124	3,959
Current assets	**16,044,284**	**13,145,769**	**1,530,653**	**1,609,733**
Investments	22,271,205	23,783,632	9,933,876	9,102,737
Investment of cash collateral	36,722	114,946	3,979	3,651
Investments held by trustees	287,360	331,772		
Pledges receivable, net	45,378	30,036	647,626	686,693
Notes and mortgages receivable, net	357,447	379,981	250	250
Department of Energy receivable	1,720,129	1,579,117		
Capital assets, net	36,543,172	34,229,473		
Other noncurrent assets	301,264	282,762	105,992	115,047
Noncurrent assets	**61,562,677**	**60,731,719**	**10,691,723**	**9,908,378**
Total assets	**77,606,961**	**73,877,488**	**12,222,376**	**11,518,111**
DEFERRED OUTFLOWS OF RESOURCES	**14,622,134**	**10,701,222**		
LIABILITIES				
Accounts payable	2,738,260	3,236,356	28,624	15,441
Accrued salaries	1,530,351	1,260,368		
Employee benefits	752,354	574,856		
Unearned revenue	1,665,429	1,505,912	35,386	6,265
Collateral held for securities lending	387,337	954,668	41,974	36,384
Commercial paper	1,327,000	574,483		
Current portion of long-term debt	1,996,183	1,696,499		
Funds held for others	456,815	433,213	295,012	314,910
Department of Energy laboratories' liabilities	158,123	137,481		
Other current liabilities	3,039,515	2,017,093	84,179	46,404
Current liabilities	**14,051,367**	**12,390,929**	**485,175**	**419,404**
Federal refundable loans	220,379	248,645		
Self-insurance	778,778	715,417		
Obligations under life income agreements	37,606	35,118	146,119	150,069
Long-term debt	23,329,565	22,313,160		
Net pension liability	21,779,120	18,117,941		
Net retiree health benefits liability	23,852,872	19,861,686		
Other noncurrent liabilities	1,044,538	738,640	289,252	278,076
Noncurrent liabilities	**71,042,858**	**62,030,607**	**435,371**	**428,145**
Total liabilities	**85,094,225**	**74,421,536**	**920,546**	**847,549**
DEFERRED INFLOWS OF RESOURCES	**7,251,375**	**6,828,085**	**212,519**	**228,675**
NET POSITION				
Net investment in capital assets	14,443,373	14,284,354		
Restricted:				
Nonexpendable: endowments and gifts	1,216,561	1,176,981	5,326,577	4,885,413
Nonexpendable: reserved for minority interests	47,093	47,770		
Expendable	8,769,641	8,211,427	5,105,784	5,017,760
Unrestricted	(24,593,173)	(20,391,443)	656,950	538,714
Total net position	**($116,505)**	**$3,329,089**	**$11,089,311**	**$10,441,887**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	UNIVERSITY OF CALIFORNIA		CAMPUS FOUNDATIONS	
Years ended June 30, 2020 and 2019 (in thousands of dollars)	**2020**	**2019**	**2020**	**2019**
OPERATING REVENUES				
Student tuition and fees, net	$5,298,018	$5,170,171		
Grants and contracts, net:				
Federal	3,707,625	3,528,753		
State	574,662	548,975		
Private	1,608,449	1,539,487		
Local	358,187	359,352		
Medical centers, net	14,169,528	13,208,083		
Educational activities, net	4,228,866	4,009,029		
Auxiliary enterprises, net	1,415,158	1,716,776		
Department of Energy laboratories	1,083,215	1,577,244		
Campus foundation private gifts			$1,301,479	$918,363
Other operating revenues, net	1,046,127	937,427	1,860	967
Total operating revenues	**33,489,835**	**32,595,297**	**1,303,339**	**919,330**
OPERATING EXPENSES				
Salaries and wages	18,426,861	16,984,570		
Pension benefits	5,355,166	4,340,355		
Retiree health benefits	1,692,273	1,292,332		
Other employee benefits	3,592,961	3,288,909		
Supplies and materials	4,218,056	4,057,105		
Depreciation and amortization	2,184,431	2,100,228		
Department of Energy laboratories	1,075,559	1,569,702		
Scholarships and fellowships	1,039,128	850,390		
Utilities	318,494	336,232		
Campus foundation grants			1,292,075	1,134,265
Other operating expenses	5,502,477	5,283,590	37,874	35,948
Total operating expenses	**43,405,406**	**40,103,413**	**1,329,949**	**1,170,213**
Operating loss	**(9,915,571)**	**(7,508,116)**	**(26,610)**	**(250,883)**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	3,686,105	3,508,102		
State hospital fee grants	22,838	33,609		
Direct government grants	683,593			
Build America Bonds federal interest subsidies	54,413	53,071		
Federal Pell Grants	443,282	437,828		
Private gifts, net	1,516,475	1,441,330		
Investment income:				
Short Term Investment Pool and other, net	310,997	339,661		
Endowment, net	67,564	93,608		
Securities lending, net	6,749	8,459	720	385
Campus foundations			50,521	71,123
Net appreciation in fair value of investments	406,198	1,386,797	179,718	360,862
Interest expense	(921,796)	(767,358)		(27)
Gain (loss) on disposal of capital assets	(49,051)	(16,258)		
Other nonoperating revenues (expenses)	(40,860)	(55,486)	250	(1,316)
Net nonoperating revenues	**6,186,507**	**6,463,363**	**231,209**	**431,027**
Income (loss) before other changes in net position	**(3,729,064)**	**(1,044,753)**	**204,599**	**180,144**
OTHER CHANGES IN NET POSITION				
Capital gifts and grants, net	251,616	195,348		
State capital appropriations	(654)			
Permanent endowments	32,508	23,065	442,825	458,351
Increase (decrease) in net position	**(3,445,594)**	**(826,340)**	**647,424**	**638,495**
NET POSITION				
Beginning of year	3,329,089	4,155,429	10,441,887	9,803,392
End of year	**($116,505)**	**$3,329,089**	**$11,089,311**	**$10,441,887**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA
STATEMENTS OF CASH FLOWS

	UNIVERSITY OF CALIFORNIA		CAMPUS FOUNDATIONS	
Years ended June 30, 2020 and 2019 (in thousands of dollars)	**2020**	**2019**	**2020**	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	$5,270,855	$5,153,207		
Grants and contracts	6,476,724	6,010,358		
Medical centers	15,171,805	13,032,546		
Educational activities	4,238,236	3,903,724		
Auxiliary enterprises	1,364,911	1,724,883		
Collection of loans from students and employees	80,918	79,437		
Campus foundation private gifts			$1,119,021	$914,380
Payments to employees	(17,970,142)	(16,245,812)		
Payments to suppliers and utilities	(9,705,064)	(9,034,484)		
Payments for pension benefits	(2,706,842)	(2,191,594)		
Payments for retiree health benefits	(389,358)	(377,826)		
Payments for other employee benefits	(3,538,064)	(3,197,524)		
Payments for scholarships and fellowships	(1,039,270)	(850,235)		
Loans issued to students and employees	(52,543)	(68,465)		
Payments to campuses and beneficiaries			(1,306,297)	(1,184,480)
Other receipts	588,855	299,829	39,033	30,586
Net cash used by operating activities	**(2,208,979)**	**(1,761,956)**	**(148,243)**	**(239,514)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	3,698,936	3,508,973		
Federal Pell Grants	438,587	437,934		
Government direct grants	643,679			
State hospital fee grants	22,838	33,609		
Gifts received for other than capital purposes:				
Private gifts for endowment purposes	36,618	20,023	332,194	386,618
Other private gifts	1,443,400	1,307,172		
Receipt of retiree health contributions from UCRP	82,122	88,434		
Payment of retiree health contributions to UCRHBT	(75,263)	(81,722)		
Receipts from UCRHBT	397,551	399,047		
Payments for retiree health benefits made on behalf of UCRHBT	(378,902)	(438,586)		
Student direct lending receipts	552,575	555,283		
Student direct lending payments	(552,409)	(555,180)		
Proceeds from debt issuance		500,000		
Repayment of debt	(286,515)			
Commercial paper financing:				
Proceeds from issuance	25,987	33,761		
Payments of principal	(14,411)	(16,780)		
Interest paid on debt	(35,693)	(29,737)		
Other receipts	5,061	8,902	12,770	9,241
Net cash provided by noncapital financing activities	**6,004,161**	**5,771,133**	**344,964**	**395,859**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	854,028	193,506		
Payments of principal	(113,087)	(417,808)		
Interest paid	(8,920)	(9,559)		
State capital appropriations	(2,298)	4,165		
Build America bonds federal interest subsidies	51,615	46,586		
Capital gifts and grants	139,795	150,394		
Proceeds from debt issuance	2,117,539	436,994		
Proceeds from the sale of capital assets	31,230	37,151		
Purchase of capital assets	(3,896,294)	(3,615,979)		
Refinancing or prepayment of outstanding debt	(149,073)			
Scheduled principal paid on debt and capital leases	(485,776)	(430,238)		
Interest paid on debt and capital leases	(933,246)	(901,107)		
Net cash used by capital and related financing activities	**(2,394,487)**	**(4,505,895)**		

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS *continued*

	UNIVERSITY OF CALIFORNIA		CAMPUS FOUNDATIONS	
Years ended June 30, 2020 and 2019 (in thousands of dollars)	**2020**	**2019**	**2020**	**2019**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	$235,251,055	$75,381,612	$1,983,478	$1,455,483
Purchase of investments	(236,850,247)	(75,445,081)	(2,329,658)	(1,672,071)
Investment income, net of investment expenses	411,118	453,791	48,714	71,460
Net cash provided (used) by investing activities	**(1,188,074)**	**390,322**	**(297,466)**	**(145,128)**
Net increase (decrease) in cash and cash equivalents	**212,621**	**(106,396)**	**(100,745)**	**11,217**
Cash and cash equivalents, beginning of year	143,127	249,523	458,594	447,377
Cash and cash equivalents, end of year	**$355,748**	**$143,127**	**$357,849**	**$458,594**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES				
Operating income (loss)	($9,915,571)	($7,508,116)	($26,801)	($250,883)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation and amortization expense	2,184,431	2,100,228		
Noncash gifts			(217,337)	(112,580)
Allowance for uncollectible accounts	262,748	252,838	5,441	856
Loss on impairment of capital assets	12,483	4,056		
Change in assets and liabilities:				
Investments held by trustees	(11,739)	(17,062)	(5,467)	(3,287)
Accounts receivable	(566,012)	(587,066)	(547)	2,401
Pledges receivable			39,230	113,671
Inventories	(73,520)	(22,132)		
Other assets	(75,856)	(143,490)	30,547	2,802
Accounts payable	16,716	126,473	10,303	790
Accrued salaries	269,983	617,615		
Employee benefits	175,531	174,466		
Unearned revenue	161,815	80,162	30,774	(761)
Department of Energy	(117,631)	(594,755)		
Self-insurance	94,475	127,478		
Obligations under life income agreements			(4,812)	(4,899)
Net pension liability	3,060,600	2,665,176		
Net retiree health benefits liability	1,273,462	857,147		
Other liabilities	1,039,106	105,026	(9,574)	12,376
Net cash used by operating activities	**($2,208,979)**	**($1,761,956)**	**($148,243)**	**($239,514)**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired through capital leases	$47,978	$16,328		
Capital assets acquired with a liability at year end	218,707	105,603		
Change in fair value of interest rate swaps classified as hedging derivatives	(129,783)	(75,322)		
Gifts of capital assets	111,776	46,971	$9,500	
Other noncash gifts	52,564	130,100	309,638	$172,898
Proceeds from issuance of blended component unit revenue bonds deposited with trustees	175,065	717,135		
Beneficial interests in irrevocable split interest agreements administered by third parties	6,851	(15,348)	3,594	16,887
Noncash gifts for University-administered irrevocable split-interest agreements			4,250	14,120
Other borrowings from conversion of interest rate swap to hedging derivative	6,468			

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM AND RETIREE HEALTH BENEFIT TRUST

STATEMENTS OF PLANS' AND TRUST'S FIDUCIARY NET POSITION

	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)		UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)		TOTAL UCRS AND UCRHBT	
At June 30, 2020 and 2019 (in thousands of dollars)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
ASSETS						
Investments	$97,278,282	$95,456,703	$141,872	$136,248	$97,420,154	$95,592,951
Participants' interests in mutual funds	1,828,837	1,691,773			1,828,837	1,691,773
Investment of cash collateral	7,588,680	6,128,526			7,588,680	6,128,526
Participant 403(b) loans	194,829	193,766			194,829	193,766
Accounts receivable:						
Contributions from University and affiliates	175,645	168,208	34,989	30,737	210,634	198,945
Investment income	60,831	83,927			60,831	83,927
Security sales and other	2,396,198	1,043,318	48	318	2,396,246	1,043,636
Prepaid insurance premiums			2,115	8,565	2,115	8,565
Total assets	**109,523,302**	**104,766,221**	**179,024**	**175,868**	**109,702,326**	**104,942,089**
LIABILITIES						
Payable to University			22,206	18,959	22,206	18,959
Payable for securities purchased	2,986,676	2,132,979			2,986,676	2,132,979
Member withdrawals, refunds and other payables	702,930	383,595			702,930	383,595
Collateral held for securities lending	7,588,760	6,126,849			7,588,760	6,126,849
Total liabilities	**11,278,366**	**8,643,423**	**22,206**	**18,959**	**11,300,572**	**8,662,382**
NET POSITION HELD IN TRUST						
Members' defined benefit plan benefits	70,977,922	70,343,741			70,977,922	70,343,741
Participants' defined contribution plan benefits	27,267,014	25,779,057			27,267,014	25,779,057
Retiree health benefits			156,818	156,909	156,818	156,909
Total net position held in trust	**$98,244,936**	**$96,122,798**	**$156,818**	**$156,909**	**$98,401,754**	**$96,279,707**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM AND RETIREE HEALTH BENEFIT TRUST

STATEMENTS OF CHANGES IN PLANS' AND TRUST'S FIDUCIARY NET POSITION

	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)		UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)		TOTAL UCRS AND UCRHBT	
At June 30, 2020 and 2019 (in thousands of dollars)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
ADDITIONS						
Contributions:						
Members and employees	$2,577,692	$2,349,879			$2,577,692	$2,349,879
University	2,529,426	2,465,178	$340,726	$333,107	2,870,152	2,798,285
Total contributions	**5,107,118**	**4,815,057**	**340,726**	**333,107**	**5,447,844**	**5,148,164**
Investment income (expense), net:						
Net appreciation in fair value of investments	978,372	3,701,585			978,372	3,701,585
Interest, dividends and other investment income	1,547,478	1,671,203	2,281	3,195	1,549,759	1,674,398
Securities lending income	133,203	212,596			133,203	212,596
Securities lending fees and rebates	(91,549)	(160,185)			(91,549)	(160,185)
Total investment income, net	**2,567,504**	**5,425,199**	**2,281**	**3,195**	**2,569,785**	**5,428,394**
Interest income from contributions receivable	414	796			414	796
Total additions	**7,675,036**	**10,241,052**	**343,007**	**336,302**	**8,018,043**	**10,577,354**
DEDUCTIONS						
Benefit payments:						
Retirement payments	2,833,231	2,664,031			2,833,231	2,664,031
Member withdrawals	148,579	144,384			148,579	144,384
Cost-of-living adjustments	602,156	560,546			602,156	560,546
Lump sum cashouts	271,506	362,545			271,506	362,545
Preretirement survivor payments	55,247	51,011			55,247	51,011
Disability payments	30,181	30,102			30,181	30,102
Death payments	8,240	8,028			8,240	8,028
Participant withdrawals	1,531,954	1,454,549			1,531,954	1,454,549
Total benefit payments	**5,481,094**	**5,275,196**			**5,481,094**	**5,275,196**
Insurance premiums:						
Insured plans			118,056	112,997	118,056	112,997
Self-insured plans			201,790	184,114	201,790	184,114
Medicare Part B reimbursements			18,721	11,563	18,721	11,563
Total insurance premiums, net			**338,567**	**308,674**	**338,567**	**308,674**
Other deductions:						
Plan administration	65,039	54,833	4,531	4,300	69,570	59,133
Other	6,765	13,167			6,765	13,167
Total other deductions	**71,804**	**68,000**	**4,531**	**4,300**	**76,335**	**72,300**
Total deductions	**5,552,898**	**5,343,196**	**343,098**	**312,974**	**5,895,996**	**5,656,170**
Change in net position held in trust	**2,122,138**	**4,897,856**	**(91)**	**23,328**	**2,122,047**	**4,921,184**
NET POSITION HELD IN TRUST						
Beginning of year	96,122,798	91,224,942	156,909	133,581	96,279,707	91,358,523
End of year	**$98,244,936**	**$96,122,798**	**$156,818**	**$156,909**	**$98,401,754**	**$96,279,707**

See accompanying Notes to Financial Statements.

Notes to Financial Statements

Years ended June 30, 2020 and 2019

ORGANIZATION

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

FINANCIAL REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The University's financial statements include the accounts of ten campuses, five medical centers, a statewide agricultural extension program and the operations of most student government or associated student organizations as part of the primary financial reporting entity because The Regents has certain oversight responsibilities for these organizations. Organizations that are not significant or for which the University is not financially accountable, such as booster and alumni organizations, are not included in the reporting entity. However, cash invested with the University by these organizations, along with the related liability, is included in the statement of net position. The statement of revenues, expenses and changes in net position excludes the activities associated with these organizations.

Fiat Lux Risk and Insurance Company (Fiat Lux), the University's wholly owned captive insurance company, is a blended component unit of the University. The Regents is the sole corporate and voting member of Children's Hospital & Research Center Oakland (CHRCO), a private, not-for-profit 501(c)(3) corporation. Children's Hospital & Research Center Foundation, a not-for-profit public benefit corporation, is organized and operated for the purpose of supporting CHRCO. CHRCO, combined with its foundation, is a blended component unit of the University. In addition, the financial position and operating results of certain other legally separate organizations are included in the University's financial reporting entity on a blended basis if The Regents is determined to be financially accountable for the organization. These include legally separate organizations that provide research and housing services entirely, or almost entirely, to the University or otherwise exclusively, or almost exclusively, to benefit the University.

The University has eleven legally separate, tax-exempt, affiliated campus foundations, one for each campus and the Lawrence Berkeley National Laboratory (LBNL). The economic resources received or held by the foundations are entirely for the benefit of the campuses. Because of the nature and significance of their relationship with the University, including their ongoing financial support, the campus foundations are reported under the Governmental Accounting Standards Board (GASB) requirements as discretely presented component units of the University.

Specific assets and liabilities and all revenues and expenses associated with the LBNL, a major United States Department of Energy (DOE) national laboratory operated and managed by the University under contract directly with the DOE, are included in the accompanying financial statements.

The Regents has fiduciary responsibility for the University of California Retirement System (UCRS) which includes two defined benefit plans, the University of California Retirement Plan (UCRP) and the University of California Voluntary Early Retirement Incentive Plan (UC–VERIP), and four defined contribution plans in the University of California Retirement Savings Program (UCRSP), consisting of the Defined Contribution Plan (DC Plan), the Supplemental Defined Contribution Plan (SDC Plan), the Tax-Deferred 403(b) Plan (403(b) Plan) and the 457(b) Deferred Compensation Plan (457(b) Plan). As a result, the UCRS statements of plans' fiduciary net position and changes in plans' fiduciary net position are shown as a fiduciary fund in the University's financial statements.

The Regents also has fiduciary responsibility for the University of California Retiree Health Benefit Trust (UCRHBT). As a result, UCRHBT's statements of trust's fiduciary net position and changes in trust's fiduciary net position are shown as a fiduciary fund in the University's financial statements. UCRHBT allows certain University locations and affiliates, primarily campuses and medical centers that share the risks, rewards and costs of providing for retiree health benefits, the opportunity to fund such benefits on a cost-sharing basis and to accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. The Regents serves as Trustee of UCRHBT and has the authority to amend or terminate the trust.

Significant Accounting Policies

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

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

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

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

The significant accounting policies of the University are as follows:

Cash and cash equivalents. The University and campus foundations consider all balances in demand deposit accounts to be cash. The University classifies all other highly liquid cash equivalents with original maturities less than one year as short-term investments. Certain campus foundations classify their deposits in the University's Short Term Investment Pool as a cash equivalent.

Investments. Investments are measured and reported at fair value. Securities are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Investment in nonexchange traded debt and equity investments are valued using inputs provided by independent pricing services or by brokers/dealers who actively trade in these markets. Certain securities may be valued on a basis of a price provided by a single source.

Investments also include private equities, absolute return funds, real estate, real asset and certain corporate asset-backed securities. Private equities include venture capital partnerships, buyouts, real assets and international funds. Fair values for interests in private equity, absolute return partnerships and real estate partnerships are based on valuations provided by the general partners of the respective partnerships. The valuations are primarily based on the most recent net asset value (NAV) of the underlying investments. The NAV is reported by the external investment managers, including general partners, in accordance with their policies as described in their respective financial statements and offering memoranda. The most recent NAV is adjusted for capital calls, distributions and significant known valuation changes, if any, of its related portfolio through June 30, 2020 and 2019.

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

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

The University exercises due diligence in assessing the external managers' use of and adherence to fair value principles. In conjunction with these procedures, estimated fair value is determined by consideration of a wide range of factors, including market conditions, redemption terms and restrictions and risks inherent to the inputs of the external investment managers' valuation. In situations where the information provided by the external manager is deemed to not be representative of the fair value as of the measurement date, management evaluates specific features of the investment and utilizes supplemental fair value information provided by the external manager along with any relevant market data to measure the investment's fair value.

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

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

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

Campus 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 campus 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 Campus Foundations' column.

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

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

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

Changes in the 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.

Participants' interests in mutual funds. Participants in the University's defined contribution retirement plans may invest their account balances in funds managed by the University's Chief Investment Officer or in certain mutual funds.

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 the University or campus 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.

Beneficial interests in irrevocable split-interest agreements. The beneficial interests in irrevocable split-interest agreements represent the University's and the campus foundations' right to the portion of the benefits from the irrevocable split-interest agreements that are administered by third parties and are recognized as assets and deferred inflows of resources. These are measured at fair value and are reported as other noncurrent assets in the statement of net position. Changes in the fair value of the beneficial interest assets are recognized as an increase or decrease in the related deferred inflows of resources. At the termination of the agreement, net assets received from the beneficial interests are recognized as revenues.

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 statements of net position.

Inventories. Inventories for the campuses, 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 centers consist primarily of pharmaceuticals and medical supplies which are stated on a first-in, first-out basis at the lower of cost or market.

DOE national laboratories. The University operates and manages LBNL under a contract directly with the DOE. Specific assets and liabilities and all revenues and expenses associated with LBNL are included in the financial statements. Other assets, such as cash, property and equipment and other liabilities of LBNL are owned by the United States government rather than the University and, therefore, are not included in the statement of net position. The statement of cash flows excludes the cash flows associated with LBNL other than reimbursements, primarily related to pension and health benefits, since all other cash transactions are recorded in bank accounts owned by the DOE.

The University is a member in three separate joint ventures that operate and manage two other DOE laboratories under contracts directly with the DOE. Lawrence Livermore National Security, LLC (LLNS) operates and manages Lawrence Livermore National Laboratory (LLNL). Triad National Security, LLC (Triad) commenced operating and managing Los Alamos National Laboratory (LANL) effective November 1, 2018. Prior to November 1, 2018, LANL was managed by Los Alamos National Security, LLC (LANS). The University's investments in Triad, LLNS and LANS are accounted for using the equity method. Accordingly, the University's statement of net position includes its equity interest in Triad, LANS and LLNS, adjusted for the equity in undistributed earnings or losses and the statement of revenues, expenses and changes in net position includes its equity in the current earnings or losses of LANS and LLNS.

The DOE is financially responsible for substantially all of the current and future costs incurred at any of the national laboratories, including pension and retiree health benefit costs. Accordingly, to the extent there is a liability on the University's statement of net position for pension or retiree health obligations related to these laboratories, the University records a receivable from the DOE.

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 collections	15

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

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

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

Service concession arrangements. The University has entered into service concession arrangements with third parties for parking, student housing and certain other faculty and student services. Under these arrangements, the University enters into ground leases with third parties at minimal or no cost, and gives the third party the right to construct, operate and maintain a facility, primarily for the benefit of students and faculty at competitive rates. Rate increases for use of the facilities are subject to certain constraints and ownership of the facilities reverts to the University upon expiration of the ground lease. The facilities are reported as capital assets by the University when placed in service, and a corresponding deferred inflow of resources is reported. The University has not provided guarantees on financing obtained by the third parties under these arrangements.

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 University or the campus foundations acting as an agent, or fiduciary, on behalf of organizations that are not significant or financially accountable to the University or campus foundations.

Federal refundable loans. Certain loans to students are administered by the University with funding primarily supported by the federal government. The University’s statement of net position includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

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

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

Obligations under life income agreements. Obligations under life income agreements represent trusts with living income beneficiaries where the University 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 the University are recorded as deferred inflows of resources, net of the income beneficiary share, at the date of the gift. The residual interest is reported in deferred inflows of resources in the statement of net position. At the termination of the agreement, the University'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, the University 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 the University is among the responsible parties. The liabilities are reviewed annually and may increase or decrease the cost of recovery from third parties, if any, as a result of additional information that refines the estimates, or from payments made from revenue sources that support the activity. There were no expected recoveries at June 30, 2020 and 2019 reducing the pollution remediation liability.

Asset retirement obligations. Upon an obligating event, the University records the costs of any expected tangible capital asset retirement obligations using the best estimate of the current value of outlays expected to be incurred. The liabilities are reviewed annually and may change as a result of additional information that refines the estimates. Actual asset retirement obligation costs may vary from these estimates as a result of changes in assumptions such as asset retirement dates, regulatory requirements, technology and costs of labor, materials and equipment. The estimated remaining useful lives of these assets range from 2 to 28 years.

Deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources and deferred inflows of resources represent a consumption and acquisition of net position that apply to a future period, respectively. The University classifies gains on refunding of debt, increases in the fair value of the hedging derivatives, payments received or to be received from service concession arrangements and changes in irrevocable split-interest agreements as deferred inflows of resources. The University classifies losses on refunding of debt, decreases in the fair value of hedging derivatives and certain asset retirement obligations as deferred outflows of resources. Gains or losses on refunding of debt are amortized as a component of interest expense over the remaining life of the old debt, or the new debt, whichever is shorter. Asset retirement obligations are recognized over the remaining useful life of the related asset. Revenues from split interest agreements are recognized when the resources become available to spend.

Changes in the net pension and net retiree health benefits 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 benefits 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 the University's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction or improvement of those assets.

Restricted. The University and campus 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 the University or campus foundations, is classified as nonexpendable net position. This includes the University and campus foundation 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 the University or campus foundations is subject to externally imposed restrictions that can be fulfilled by actions of the University or campus 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. The University's unrestricted net position may be designated for specific purposes by management or The Regents. The campus foundations' unrestricted net position may be designated for specific purposes by their Boards of Trustees. Substantially all of the University'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, the University'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 University assets available to pay such obligations.

Revenues and expenses. Operating revenues of the University include receipts from student tuition and fees, grants and contracts for specific operating activities and sales and services from medical centers, educational activities and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of the University are presented in the statement of revenues, expenses and changes in net position as operating activities. The University's equity in current earnings or losses of LANS and LLNS is also an operating transaction.

Certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the University 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 the University.

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

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

In 2020, the University received grants under certain provisions of the CARES Act, reported as nonoperating revenues, to minimize the impacts of lost revenues and increased expenses related to COVID-19. The campuses received grants under the Higher Education Emergency Relief Fund to provide emergency financial aid to students and to mitigate the impacts of lost revenue and additional technology expenses associated with moving to online education. The medical centers and the faculty practices received grants under the CARES Act Provider Relief Fund for lost revenues and health care related expenses related to operational changes to prepare for treating patients with COVID-19. The medical centers and the faculty practices recognized direct grants as nonoperating revenues based on estimates of lost revenues and increased expenses following the information contained in laws and regulations, as well as interpretations issued by the Department of Health and Human Services, governing the publicly available funding at June 30, 2020.

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

Student tuition and fees. Substantially all student tuition and fees provide for the current operations of the University. 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.

The University 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)	**2020**	**2019**
Student tuition and fees	$1,281,997	$1,231,856
Auxiliary enterprises	190,969	232,157
Other operating revenues	19,965	17,225
Scholarship allowances	**$1,492,931**	**$1,481,238**

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. The University receives grant and contract revenue from governmental and private sources. The University 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 the University's federal cognizant agency, the U.S. Department of Health and Human Services. For the year ended June 30, 2020, the facilities and administrative cost recovery totaled $1.2 billion, which consisted of $862.0 million from federally sponsored programs and $375.0 million from other sponsors. For the year ended June 30, 2019, the facilities and administrative cost recovery totaled $1.2 billion, which consisted of $829.0 million from federally sponsored programs and $348.0 million from other sponsors.

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

Net pension liability. The University 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 plans' fiduciary net positions. The fiduciary net position and changes in net position of the defined benefit plans have been measured consistent with the accounting policies used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

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

Both current employees and retirees at LBNL participate in UCRP. The University makes contributions to UCRP for LBNL employees based upon rates authorized by The Regents and is reimbursed by the DOE. The University also makes contributions to UCRP for LANL and LLNL retirees and terminated vested members, whose benefits were retained in UCRP at the time the joint ventures were formed. The University records a receivable for the net pension liability that is expected to be collected from the DOE. The University deposits funds in UCRP when the DOE makes payments for these contributions. The contributions from the DOE and deposits into UCRP on behalf of the DOE are included as DOE laboratory revenue in the statement of revenues, expenses and changes in net position.

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

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

LBNL participates in the University's retiree health plans. The net retiree health benefits liability for LBNL is determined independently from the University's campuses and medical centers. Retiree health benefits expense for LBNL is included with the DOE laboratory expense in the statement of revenues, expenses and changes in net position. The contributions from the DOE are included as DOE laboratory revenue in the statement of revenues, expenses and changes in net position.

The University records a receivable from the DOE for the DOE's portion of the University's net retiree health benefits liability attributable to LBNL. The University does not have any retiree health benefits liability for LANL or LLNL retiree health benefit costs since LANL and LLNL current or former employees do not participate in the University's retiree health plans.

Campus and medical center contributions toward retiree health costs made to UCRHBT, the University's LBNL-related payments made directly to health care insurers and administrators and the corresponding reimbursements from the DOE, are shown as operating activities in the statement of cash flows. Cash flows resulting from retiree health contributions from retirees are shown as noncapital financing activities in the statement of cash flows.

University of California Retiree Health Benefit Trust. UCRHBT receives the University's contributions toward retiree health benefits from campuses, medical centers and University affiliates. The University receives retiree health contributions from University affiliates and campus and medical center retirees that are deducted from their UCRP benefit payments and then remitted to UCRHBT.

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.

LBNL does not participate in UCRHBT; therefore, the DOE has no interest in its assets.

Compensated absences. The University 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 University 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. UCRS plans are qualified under IRC Section 401(a) and the related trusts are tax-exempt under Section 501(c)(3). The campus foundations are also qualified for tax exemption under IRC Section 501(c)(3). CHRCO and its component unit, the Children's Hospital and Research Center Foundation, are qualified for exemption under IRC Section 501(c)(3). Income received by UCRHBT is tax-exempt under IRC Section 115(a).

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although management believes the estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made and actual amounts could differ from those estimates.

New accounting pronouncements. In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for the University's fiscal year beginning July 1, 2020. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or an equivalent arrangement that meets specific criteria. The University is evaluating the effect Statement No. 84 will have on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for the University's fiscal year beginning July 1, 2021. This Statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single-approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. The University is evaluating the effect Statement No. 87 will have on its financial statements.

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

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

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

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the University's fiscal year beginning July 1, 2023. The Statement requires for these arrangements to be recorded as a right-to-use intangible asset and a corresponding subscription liability. The University is evaluating the effect that Statement No. 96 will have on its financial statements.

1. CASH AND CASH EQUIVALENTS

The University maintains centralized management for substantially all of its cash and cash equivalents. Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts on a daily basis.

Under University policy, deposits are only held at financial institutions that maintain an issuer rating on long-term debt of A3 or higher by Moody's, A- or higher by Standard & Poor's or an Asset Peer Group rating of 65 or higher as defined by Sheshunoff Bank Rating Reports. At June 30, 2020 and 2019, the carrying amount of the University's demand deposits, generally held in five nationally recognized banking institutions, was $355.7 million and $143.1 million, respectively, compared to bank balances of $280.7 million and $93.6 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. The University's deposits are uninsured and uncollateralized except for bank balances insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable statutory limits.

The University does not have significant exposure to foreign currency risk in demand deposit accounts. Accounts held in foreign countries maintain minimum operating balances with the intent to reduce potential foreign exchange risk while providing an adequate level of liquidity to meet the obligations of the academic programs established abroad. The equivalent U.S. dollar balances required to support research groups and education abroad programs in foreign countries was $0.4 million at June 30, 2020 and $0.2 million at June 30, 2019.

The carrying amount of the campus foundations' cash and cash equivalents at June 30, 2020 and 2019 was $357.8 million and $458.6 million, respectively, compared to bank balances of $132.5 million and $88.0 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. Included in cash and cash equivalents are deposits in the University's Short Term Investment Pool of $224.9 million at June 30, 2020 and $366.9 million at June 30, 2019, with the remaining uncollateralized bank balances insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable statutory limits. Uncollateralized bank balances include $14.2 million and $20.8 million in excess of the FDIC limits at June 30, 2020 and 2019, respectively. The campus foundations do not have exposure to foreign currency risk in their cash and cash equivalents. Included in the campus foundations' cash and cash equivalents is $38.9 million and $10.3 million, as of June 30, 2020 and 2019, respectively, held by the respective campuses in STIP.

2. INVESTMENTS

The Regents, as the governing Board, is responsible for the oversight of the University's, UCRS' and UCRHBT'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), UCRS, UCRHBT 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 campuses and medical centers is invested in STIP. The available cash in UCRS or 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. BGP was liquidated and closed effective April 30, 2020.

GEP is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. GEP is a balanced portfolio and the primary investment vehicle for endowed gift funds. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements.

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

Investments authorized by The Regents for GEP, UCRS, 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.

The Regents has also authorized certain employee account balances in defined contribution plans included as part of UCRS' investments to be invested in mutual funds. The participants' interests in mutual funds are not managed by the Chief Investment Officer and totaled $1.8 billion and $1.7 billion at June 30, 2020 and 2019, respectively.

Investments authorized by The Regents for the UCRHBT are restricted to a portfolio of high-quality money market instruments in a commingled fund that is managed externally. The average credit quality of the portfolio is A-1/P-1 with an average maturity of 31 days and 33 days at June 30, 2020 and 2019, respectively. The fair values of UCRHBT's investment in this portfolio were $141.9 million and $136.2 million at June 30, 2020 and 2019, respectively. These are measured at net asset value as of June 30, 2020 and 2019, respectively.

The composition of investments, by investment type at June 30 is as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
(in thousands of dollars)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Equity securities:						
Domestic	$6,567,109	$3,958,908	$143,125	$272,859	$30,036,053	$24,837,610
Foreign	2,012,627	2,338,504	28,232	28,130	15,129,752	14,770,785
Equity securities	**8,579,736**	**6,297,412**	**171,357**	**300,989**	**45,165,805**	**39,608,395**
Fixed- or variable-income securities:						
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	2,621,135	2,554,434	405,913	347,724	5,396,751	1,531,732
U.S. Treasury strips	111,658	781,608	299	241	1,605,836	1,973,596
U.S. TIPS		30,912			1,498,492	3,142,771
U.S. government-backed securities			4,706			
U.S. government-backed mortgage-backed securities		6,881	9,060	9,557	203,078	5,927
U.S. government-guaranteed	**2,732,793**	**3,373,835**	**419,978**	**357,522**	**8,704,157**	**6,654,026**
Other U.S. dollar-denominated:						
Corporate bonds	1,954,398	3,521,045	133,181	25,838	4,245,142	4,316,281
Commercial paper	926,842	1,962,132			63,625	421,635
U.S. agencies	300	1,856,385		3,762	575,819	4,006,178
U.S. agencies - asset-backed securities	4,342,320	680,334	18,265	15,711	5,110,536	2,796,820
Corporate - asset-backed securities	80,600	802,323	26,631	22,093	330,170	1,583,412
Supranational/foreign	1,009,210	1,381,686	1,405	369	2,801,600	2,824,693
Other		26,491	2,672	181	33,092	28,753
Other U.S. dollar-denominated	**8,313,670**	**10,230,396**	**182,154**	**67,954**	**13,159,984**	**15,977,772**
Foreign currency-denominated:						
Corporate		98			599	536
Government/sovereign			933	1,430		
Foreign currency-denominated		**98**	**933**	**1,430**	**599**	**536**
Commingled funds:						
Absolute return funds	3,152,870	4,313,573	2,819,938	2,531,318	4,492,152	4,716,290
Non-U.S. equity funds	1,866,199	2,385,721	880,677	1,133,275	6,186,670	8,198,932
Private equity	2,760,306	2,554,119	1,219,737	1,132,506	5,050,083	4,458,873
Money market funds	4,953,880	845,562	1,056,573	1,285,848	4,268,874	5,664,235
U.S. equity funds	2,829	74,076	1,339,334	914,398	1,893,101	1,137,570
Real estate investment trusts	127,751	204,527	162,961	174,974	2,135,084	2,454,783
Real assets	779,067	627,023	90,905		2,350,466	1,530,725
U.S. bond funds	5,483	804,055	93,539	136,634		1,131,443
Non-U.S. bond funds	131	144,613	22,527	20,727	14	14
Balanced funds	245,192	243,152	1,921,291	1,519,333		
Commingled funds	**13,893,708**	**12,196,421**	**9,607,482**	**8,849,013**	**26,376,444**	**29,292,865**
Investment derivatives	(2,986)	545	13,331	(388)	582	6,485
Publicly traded real estate investment trusts	233,341	265,160			1,729,028	2,092,822
Mortgage loans	900,480	766,748				
Real estate	835,644	1,035,477	159,637	143,713	2,141,683	1,823,802
Other investments	10,316	121,256	202,722	258,156		
Campus foundations' investments with the University	(2,984,184)	(2,892,444)				
UCRS investment in the STIP	(1,848,727)	(2,687,523)				
Total investments	**30,663,791**	**28,707,381**	**10,757,594**	**9,978,389**	**$97,278,282**	**$95,456,703**
Less: Current portion	(8,392,586)	(4,923,749)	(823,718)	(875,652)		
Noncurrent portion	**$22,271,205**	**$23,783,632**	**$9,933,876**	**$9,102,737**		

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed-income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed-income securities are particularly sensitive to credit risks and changes in interest rates. Alternative investment strategies and their underlying assets and rights are subject to an array of economic and market vagaries that can limit or erode value.

Credit Risk

Fixed-income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or the possibility that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond and, ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond rating agencies, for example Moody's Investors Service (Moody's) or Standard and Poor's (S&P). The lower the rating, the greater the chance, in the rating agency's opinion, that the bond issuer will default, or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

Certain fixed-income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are considered to have minimal credit risk. Asset-backed securities are debt obligations that represent claims to the cash flows from pools of commercial, mortgage, credit card or student loans. Mortgage-backed securities issued by Ginnie Mae are backed by the full faith and credit of the U.S. government.

The investment guidelines for STIP recognize that a limited amount of credit risk, properly managed and monitored, is prudent and provides incremental risk-adjusted return over its benchmark (the benchmark for STIP is a weighted average of the two-year Treasury note and Citigroup 3-month Treasury bill).

The University recognizes that credit risk is appropriate in balanced investment pools such as TRIP, UCRS and GEP by virtue of the benchmarks chosen for the fixed-income portion of those pools.

The core fixed-income benchmark for UCRS, GEP and TRIP is the Barclays Capital U.S. Aggregate Bond Index, comprised of 25.1 percent corporate bonds and 29.7 percent mortgage/asset-backed bonds, all of which carry some degree of credit risk. The remaining 45.2 percent is government issued bonds.

Credit risk is managed primarily by diversifying across issuers. The University monitors and reviews their exposures on an ongoing basis and will maintain a high quality portfolio within the investment guidelines set forth by the Office of the Chief Investment Officer.

The credit risk profile for fixed- or variable-income securities at June 30 is as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
(in thousands of dollars)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Fixed- or variable-income securities:						
U.S. government-guaranteed	$2,732,793	$3,373,835	$419,978	$357,522	$8,704,157	$6,654,026
Other U.S. dollar-denominated:						
AAA	279,125	772,543	15,635	14,996	1,378,653	1,682,354
AA	474,082	1,812,421	25,745	16,926	1,767,974	2,980,968
A	1,069,385	1,740,713	12,955	6,244	1,388,220	1,265,126
BBB	1,106,252	1,889,585	19,495	18,883	2,334,456	2,270,637
BB	124,414	387,960	2,323		1,285,986	1,356,147
B	7,190	244,231	68		983,595	1,282,856
CCC or below		28,966			300,817	196,655
A1/P1/F1			4,488			
Not rated	5,253,222	3,353,977	14,991	10,905	3,720,283	4,943,029
Foreign currency-denominated:						
BBB			933	1,430		
BB			43,802			
B			38,064		599	536
CCC or below		98	4,346			
Not rated			242			
Commingled funds:						
U.S. bond funds: not rated	5,483	804,055	93,546	136,634		1,131,443
Non-U.S. bond funds: not rated	131	144,613	22,527	20,727	14	14
Money market funds: not rated	4,953,880	845,562	1,056,547	1,285,848	4,268,874	5,664,235
Other investments:						
Mortgage loans: not rated	900,480	766,748				
Investment derivatives: not rated				(388)		

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned.

Substantially all of the University's, campus foundations' and UCRS' securities are registered in the University's name by the custodial bank as an agent for the University. Other types of investments such as private investments, real estate, commingled funds and derivatives, represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk for such investments is remote.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments.

The U.S. and non-U.S. equity portions of the University and UCRS portfolios may be managed either passively or actively. For the portions managed passively, the concentration of individual securities is similar to their concentration in the benchmark. While some securities have a larger representation in the benchmark than others, the University considers passive management results in an absence of concentration of credit risk. For the portions managed actively, asset class guidelines do not specifically address concentration risk, but do state that the equity asset class, in the aggregate, will be appropriately diversified to control overall risk and will exhibit portfolio characteristics similar to the asset class benchmark (including concentration of credit risk). Concentration risk for individual portfolios is monitored relative to their individual benchmarks and agreed-upon risk parameters in their guidelines.

Each campus foundation may have its own individual investment policy designed to limit exposure to a concentration of credit risk. Securities issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, other investment pools or investments that are invested by the University for the campus foundations are not subject to concentration of credit risk. Most of the campus foundations that hold other types of investments have policies to limit the exposure to an individual issuer.

At June 30, 2020 and 2019, no single issuer comprised more than five percent or more of investments held by the University, campus foundations and UCRS.

Interest Rate Risk

Interest rate risk is the risk that the value of fixed-income securities will decline because of changing interest rates. The prices of fixed-income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100-basis-point (1-percentage-point) change in the level of interest rates. It is not a measure of time.

Interest rate risk for STIP is managed by constraining the maturity of all individual securities to be less than five and one-half years. There is no restriction on weighted average maturity of the portfolio as it is managed relative to the liquidity demands of the investors. The nature and maturity of individual securities in STIP allow for the use of weighted average maturity as an effective risk management tool, rather than the more complex measure, effective duration.

The portfolio guidelines constrain the potential price movement due to interest rate changes of the portfolio being similar to that of the benchmark. There are similar restrictions for the high-yield and emerging market debt portfolios relative to their benchmarks.

The effective durations for fixed- or variable-income securities at June 30 are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Fixed- or variable-income securities:						
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	1.5	1.7	2.4	2.7	6.5	2.9
U.S. Treasury strips	5.9	8.4	14.6	15.5	7.6	11.0
U.S. TIPS		3.9			6.0	6.1
U.S. government-backed mortgage-backed securities		0.7	1.4	0.7	0.5	2.2
Other U.S. dollar-denominated:						
Corporate bonds	1.9	3.5	1.7	2.5	6.6	5.3
U.S. agencies		1.0			6.3	1.6
U.S. agencies - asset-backed securities		2.8	1.4	1.6	1.3	2.5
Corporate - asset-backed securities		3.3	1.1	0.8	1.4	2.6
Supranational/foreign	1.6	3.0	0.5	2.6	7.2	5.7
Certificates of deposit/time deposits			0.2			
Other		9.2	3.8		16.1	15.9
Foreign currency-denominated:						
Corporate		2.6			1.8	2.6
Government/sovereign			3.1	3.4		
Commingled funds:						
U.S. bond funds	6.1	4.1	5.5	4.6		2.9
Non-U.S. bond funds		3.0	8.1	7.0	8.3	7.6
Money market funds*			0.4	1.2	0.4	1.2

**Foundation and UCRS investment in STIP*

The University considers the effective durations for commercial paper, mortgage loans, insurance contracts and money market funds to be zero. The terms of the mortgage loans include variable interest rates. Insurance contracts can be liquidated without loss of principal and money market funds consist of underlying securities that are of a short-term, liquid nature.

Investments also include various mortgage-backed securities, collateralized mortgage obligations, structured notes, variable-rate securities and callable bonds that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features. The effective durations of these securities, however, may be low.

At June 30, the fair values of such investments are as follows:

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA 2020	UNIVERSITY OF CALIFORNIA 2019	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS 2020	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS 2019	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2020	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2019
Mortgage-backed securities	$4,256,222	$656,113	$15,021	$13,460	$4,751,920	$2,691,572
Collateralized mortgage obligations		610,379	10,673	10,658	246,393	922,334
Other asset-backed securities	166,699	266,402	20,196	22,093	645,472	508,094
Structured notes		236			575	2,711
Variable-rate securities	62,206	708,676			659,954	2,160,669
Callable bonds	1,157,608	4,215,677		476	6,650,803	8,452,259
Convertible bonds		17,215				205,222
Total	**$5,642,735**	**$6,474,698**	**$45,890**	**$46,687**	**$12,955,117**	**$14,942,861**

Mortgage-Backed Securities. These securities are issued primarily by Fannie Mae, Ginnie Mae and Freddie Mac, and various commercial entities and include short embedded prepayment options. Unanticipated prepayments by the obligees of the underlying asset reduce the total expected rate of return.

Collateralized Mortgage Obligations. Collateralized mortgage obligations (CMOs) generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments makes the fair value highly sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In rising interest rate environments, the opposite is true.

Other Asset-Backed Securities. Other asset-backed securities also generate a return based upon either the payment of interest or principal on obligations in an underlying pool, generally associated with auto loans or credit cards. As with CMOs, the relationship between interest rates and prepayments makes the fair value highly sensitive to changes in interest rates.

Variable-Rate Securities. These securities are investments with terms that provide for the adjustment of their interest rates on set dates and are expected to have fair values that will be relatively unaffected by interest rate changes. Variable-rate securities may have limits on how high or low the interest rate may change. These constraints may affect the market value of the security.

Callable Bonds. Although bonds are issued with clearly defined maturities, an issuer may be able to redeem, or call, a bond earlier than its maturity date. The University must then replace the called bond with a bond that may have a lower yield than the original. The call feature causes the fair value to be highly sensitive to changes in interest rates.

At June 30, the effective durations for these securities are as follows:

(in years)	UNIVERSITY OF CALIFORNIA 2020	UNIVERSITY OF CALIFORNIA 2019	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS 2020	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS 2019	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2020	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2019
Mortgage-backed securities		3.0	1.3	1.6	1.2	2.5
Collateralized mortgage obligations		4.1	1.6	0.8	2.9	3.7
Other asset-backed securities	0.5	0.4	1.4	0.8	1.5	0.7
Structured notes		0.9			(1.6)	1.1
Variable-rate securities	2.9	3.4			2.7	1.8
Callable bonds	2.5	3.0		2.6	5.1	3.3
Convertible bonds		0.4				0.9

Foreign Currency Risk

The University's strategic asset allocation policy for TRIP, UCRS and GEP includes allocations to non-U.S. equities and non-dollar-denominated bonds. The benchmarks for these investments are not hedged; therefore, foreign currency risk is part of the investment strategy. Portfolio guidelines for U.S. investment-grade fixed-income securities also allow exposure to non-U.S. dollar-denominated bonds up to 10 percent of the total portfolio market value. Exposure to foreign currency risk from these securities is permitted and it may be fully or partially hedged using forward foreign currency exchange contracts. Under the University's investment policies, such instruments are not permitted for speculative use or to create leverage. Similar limits on foreign exchange exposure apply to the high-yield debt and emerging market debt portfolios.

At June 30, the foreign currency risk expressed in U.S. dollars, organized by currency denomination and investment type, is as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
(in thousands of dollars)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Equity securities:						
Euro	$608,535	$729,350		$439	$3,683,994	$3,596,443
British Pound	160,498	228,661		913	1,456,420	1,669,488
Japanese Yen	308,534	338,827	$17,798		2,595,740	2,395,527
Canadian Dollar	109,393	131,959		148	934,660	906,653
Swiss Franc	166,729	165,398		448	1,165,858	999,908
Australian Dollar	69,544	94,235		1,069	607,305	645,339
Hong Kong Dollar	151,980	172,392			1,285,705	1,131,613
Swedish Krona	66,904	72,038			400,290	344,871
Singapore Dollar	10,816	17,708			92,509	112,683
Danish Krone	29,714	25,330			233,620	178,612
Norwegian Krone	7,736	12,786			96,579	112,538
South Korean Won	58,178	83,299		15,203	599,329	612,854
Brazilian Real	23,657	40,171			177,142	271,299
Indian Rupee	74,376	43,671	5,225	2,934	403,587	471,209
Taiwan New Dollar	66,778	60,605			516,332	399,004
South African Rand	17,675	29,052			145,227	205,161
Thai Baht	14,608	15,052			122,137	170,839
Mexican Peso	8,050	13,153			64,598	91,115
Chinese Yuan Renminbi	16,482	1,168			149,798	
Other	42,440	63,649	5,209	6,976	398,922	421,910
Subtotal	**2,012,627**	**2,338,504**	**28,232**	**28,130**	**15,129,752**	**14,737,066**
Fixed-income securities:						
Mexican Peso			933	1,430		
Euro		98			599	536
Subtotal		**98**	**933**	**1,430**	**599**	**536**
Commingled funds (various currency denominations):						
Absolute return funds			1,052,032	930,896		
Non-U.S. equity funds	1,866,199	2,385,721	880,676	1,133,275	6,186,670	8,198,932
Private equity	40,855	24,933	209,109	119,908	207,238	108,682
Real estate investment trusts			10,387	10,291		
Real assets	38,036	42,682	79,741	73,104	163,561	191,288
Non-U.S. bond funds	131	144,613	22,527	20,727	14	14
Balanced funds			109,572	133,575		
Subtotal	**1,945,221**	**2,597,949**	**2,364,044**	**2,421,776**	**6,557,483**	**8,498,916**
Investment derivatives:						
Australian Dollar	3	1			82	51
Canadian Dollar	48	5			279	64
British Pound	3	3			147	135
Japanese Yen	(8)	2	158		(440)	94
Hong Kong Dollar					(16)	8
Euro	106	113	205		1,348	1,172
Other	4	22	216		99	158
Subtotal	**156**	**146**	**579**		**1,499**	**1,682**
Publicly traded real estate investment trusts:						
Australian Dollar	5,549	12,029			46,952	73,586
Euro	3,817	9,605			33,427	65,922
British Pound	3,945	13,070			36,741	78,198
Japanese Yen	8,590	17,280			72,915	103,838
South African Rand	542	1,325			3,139	6,685
Singapore Dollar	3,592	6,461			29,415	37,628
Canadian Dollar	833	5,157			11,513	28,971
Mexican Peso	544	694			2,721	3,194
Other	2,311	3,527			18,050	22,569
Subtotal	**29,723**	**69,148**			**254,873**	**420,591**
Total exposure to foreign currency risk	**$3,987,727**	**$5,005,845**	**$2,393,788**	**$2,451,336**	**$21,944,206**	**$23,658,791**

The University's Investment Pools

The composition of the University's investments at June 30, 2020, by investment pool, is as follows:

	UNIVERSITY OF CALIFORNIA				
(in thousands of dollars)	**STIP**	**TRIP**	**GEP**	**OTHER**	**TOTAL**
Equity securities:					
Domestic		$3,565,546	$2,857,359	$144,204	$6,567,109
Foreign		895,156	1,070,551	46,920	2,012,627
Fixed- or variable-income securities:					
U.S. government-guaranteed	$1,418,559	1,086,563	215,789	11,882	2,732,793
Other U.S. dollar-denominated	7,025,841	1,192,257	80,600	14,972	8,313,670
Commingled funds	3,448,653	247,272	8,645,664	1,552,119	13,893,708
Investment derivatives		616	(3,566)	(36)	(2,986)
Publicly traded real estate investment trusts		133,424	95,541	4,376	233,341
Mortgage loans	900,480				900,480
Real estate			773,818	61,826	835,644
Other investments				10,316	10,316
Subtotal	**12,793,533**	**7,120,834**	**13,735,756**	**1,846,579**	**35,496,702**
Campus foundations' investments with the University	(1,165,134)		(1,581,183)	(237,867)	(2,984,184)
UCRS investment in the STIP	(1,848,727)				(1,848,727)
Total investments	**$9,779,672**	**$7,120,834**	**$12,154,573**	**$1,608,712**	**$30,663,791**

The composition of the University's investments at June 30, 2019, by investment pool, is as follows:

	UNIVERSITY OF CALIFORNIA					
(in thousands of dollars)	**STIP**	**TRIP**	**BGP**	**GEP**	**OTHER**	**TOTAL**
Equity securities:						
Domestic		$1,722,441	$487,757	$1,633,627	$115,083	$3,958,908
Foreign		1,323,101	373,345	592,005	50,053	2,338,504
Fixed- or variable-income securities:						
U.S. government-guaranteed	$2,202,780	883,111		216,952	70,992	3,373,835
Other U.S. dollar-denominated	5,746,781	3,330,143		907,977	245,495	10,230,396
Foreign currency-denominated				98		98
Commingled funds	8,619	1,742,286	589,714	8,758,395	1,097,407	12,196,421
Investment derivatives		706	125	(308)	22	545
Publicly traded real estate investment trusts		98,431	27,977	133,835	4,917	265,160
Mortgage loans	766,748					766,748
Real estate		144,652		831,811	59,014	1,035,477
Other investments					121,256	121,256
Subtotal	**8,724,928**	**9,244,871**	**1,478,918**	**13,074,392**	**1,764,239**	**34,287,348**
Campus foundations' investments with the University	(1,529,399)	(25,946)		(1,124,899)	(212,200)	(2,892,444)
UCRS investment in the STIP	(2,687,523)					(2,687,523)
Total investments	**$4,508,006**	**$9,218,925**	**$1,478,918**	**$11,949,493**	**$1,552,039**	**$28,707,381**

The total investment returns based upon unit values, representing the combined income plus net appreciation or depreciation in the fair value of investments, for the year ended June 30, 2020 were 1.7 percent for TRIP, (5.0) percent until April 30, 2020 for BGP, 5.0 percent for GEP and 1.7 percent for UCRP. The total investment returns based upon unit values, representing the combined income plus net appreciation or depreciation in the fair value of investments, for the year ended June 30, 2019, were 6.3 percent for TRIP, 3.5 percent since the inception of BGP on April 1, 2019, 8.2 percent for GEP and 6.0 percent for UCRP. The investment return for STIP distributed to participants, representing combined income and realized gains or losses, during the same periods, was 2.1 percent and 2.2 percent, respectively. Other investments consist of numerous, small portfolios of investment or individual securities, each with its own individual rate of return.

Related Party Relationships with the University

UCRS and campus foundations may invest available cash in STIP. Shares are purchased or redeemed in STIP at a constant value of $1 per share. Actual income earned, including any realized gains or losses on the sale of STIP investments, is allocated to UCRS and campus foundations based upon the number of shares held. Unrealized gains and losses associated with the fluctuation in the fair value of investments included in STIP are recorded by the University as the manager of the pool. The net asset value for STIP is held at a constant value of $1 and is not adjusted for unrealized gains and losses associated with the fluctuation in the fair value of investments included in STIP.

The campus foundations may also purchase or redeem shares in GEP, BGP, TRIP or other investment pools at the unitized value of the portfolio at the time of purchase or redemption. Actual income earned is allocated to the campus foundations based upon the number of shares held.

Campus Foundations

The campus foundations' cash and cash equivalents and investments that are invested with the University and managed by the Chief Investment Officer are excluded from the University's statement of net position and included in the campus foundations' statement of net position. Under the accounting policies elected by each campus foundation, certain component units classify all or a portion of their investment in STIP and TRIP as cash and cash equivalents, rather than investments. Substantially all of the campus foundations' investments managed by the Chief Investment Officer are categorized as commingled funds or commingled money market funds by the campus foundations in the composition of investments.

The fair value of the campus foundations' cash and cash equivalents and investments that are invested with the University, by investment pool, at June 30 are as follows:

(in thousands of dollars)	**2020**	**2019**
STIP	$1,165,134	$1,529,399
TRIP		25,946
GEP	1,581,183	1,124,899
Other investment pools	237,867	212,200
Campus foundations' investments with the University	**2,984,184**	**2,892,444**
Classified as cash and cash equivalents by campus foundations	(224,430)	(366,263)
Classified as investments by campus foundations	**$2,759,754**	**$2,526,181**

Investment income in the University's statement of revenues, expenses and changes in net position is net of income earned by, and distributed to, the campus foundations totaling $29.9 million and $38.2 million for the years ended June 30, 2020 and 2019, respectively.

UCRS

UCRS had $1.8 billion and $2.7 billion invested in STIP at June 30, 2020 and 2019, respectively. These investments are excluded from the University's statement of net position and are included in UCRS' statement of plans' fiduciary net position. They are categorized as commingled money market funds in the composition of investments for UCRS. STIP investment income in the University's statement of revenues, expenses and changes in net position is net of income earned by, and distributed to, UCRS totaling $44.7 million and $68.3 million for the years ended June 30, 2020 and 2019, respectively.

Agency Relationships with the University

STIP and GEP are external investment pools and include investments on behalf of external organizations that are associated with the University, although not financially accountable to the University. These organizations are not required to invest in these pools. Participants purchase or redeem shares in STIP at a constant value of $1 per share and purchase or redeem shares in GEP at the unitized value of the portfolio at the time of purchase or redemption. Actual income earned is allocated to participants based upon the number of shares held.

The fair value of these investments in each investment pool and the related liability associated with these organizations that are included in the University's statement of net position at June 30 are as follows:

(in thousands of dollars)	**2020**	**2019**
STIP	$178,270	$127,407
GEP	276,778	296,651
Other investment pools	1,767	9,155
Total agency assets	**$456,815**	**$433,213**
Funds held for others	**$456,815**	**$433,213**

The composition of the net position at June 30 for STIP and GEP is as follows:

	STIP		**GEP**	
(in thousands of dollars)	**2020**	**2019**	**2020**	**2019**
Investments	$12,793,533	$8,724,928	$13,735,756	$13,074,391
Investment of cash collateral	20,136	72,847	303,685	228,945
Securities lending collateral	(20,136)	(72,827)	(303,688)	(228,881)
Other assets, net	3,707,093	3,387,851	296,267	145,026
Net position	**$16,500,626**	**$12,112,799**	**$14,032,020**	**$13,219,481**

Other assets include amounts receivable for pension benefits from the campuses and medical centers of $3.7 billion and $3.4 billion at June 30, 2020 and 2019, respectively.

The changes in net position for STIP and GEP for the year ended June 30 are as follows:

(in thousands of dollars)	**STIP**		**GEP**	
	2020	**2019**	**2020**	**2019**
Net position, beginning of year	$12,112,799	$13,999,891	$13,219,481	$12,012,891
Investment income	246,954	281,982	71,793	83,076
Net appreciation (depreciation) in fair value of investments	39,763	121,201	573,793	922,147
Net transfer to TRIP	(3,650)	(21,891)		
Transfers from (to) BGP, net	1,388,168	(1,002,778)		
Participant contributions (distributions), net	2,716,592	(1,265,606)	166,953	201,367
Net position, end of year	**$16,500,626**	**$12,112,799**	**$14,032,020**	**$13,219,481**

3. SECURITIES LENDING

The University and UCRS jointly participate in a securities lending program as a means to augment income. The campus foundations' investments that are invested with the University and managed by the Chief Investment Officer are included in the University's investment pools that participate in the securities lending program.

The campus foundations' allocated share of the program's cash collateral received, investment of cash collateral and collateral held for securities lending is determined based upon their equity in the investment pools. The Board of Trustees for each campus foundation may also authorize participation in a direct securities lending program.

Securities are lent to selected brokerage firms for which collateral received equals or exceeds the fair value of such investments lent during the period of the loan. Securities loans immediately terminate upon notice by either the University or the borrower. Collateral may be cash or securities issued by the U.S. government or its agencies, or the sovereign or provincial debt of foreign countries. Securities collateral cannot be pledged or sold by the University unless the borrower defaults.

Loans of domestic equities and all fixed-income securities are initially collateralized at 102 percent of the fair value of securities lent. Loans of foreign equities are initially collateralized at 105 percent. All borrowers are required to provide additional collateral by the next business day if the value of the collateral falls to less than 100 percent of the fair value of securities lent.

Cash collateral received from the borrower is invested by lending agents, as agents for the University, in investment pools in the name of the University, with guidelines approved by the University. These investments are shown as investment of cash collateral in the statement of net position. At June 30, 2020 and 2019, the securities in these pools had a weighted average maturity of 13 days and 20 days, respectively. The University records a liability for the return of the cash collateral shown as collateral held for securities lending in the statement of net position. Securities collateral received from the borrower is held in investment pools by the University's custodial bank.

At June 30, 2020 and 2019, the University had insignificant exposure to borrowers because the amounts the University owed the borrowers were substantially the same as the amounts the borrowers owed the University. The University is indemnified by its lending agents against any losses incurred as a result of borrower default.

The composition of the securities lending programs at June 30 is as follows:

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA 2020	UNIVERSITY OF CALIFORNIA 2019	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS 2020	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS 2019	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2020	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2019
SECURITIES LENT						
For cash collateral:						
Equity securities:						
Domestic	$350,781	$322,500			$3,617,522	$2,932,651
Foreign	12,527	63,898			219,369	349,318
Fixed-income securities:						
U.S. government-guaranteed	3,676	145,563			1,896,426	877,269
U.S. agency		5,632				
Other U.S. dollar-denominated	57,264	432,202			1,706,795	1,819,850
Foreign currency-denominated		2,250			27,454	38,235
Foundations' share	(41,974)	(36,384)	$41,974	$36,384		
Lent for cash collateral	**382,274**	**935,661**	**41,974**	**36,384**	**7,467,566**	**6,017,323**
For securities collateral:						
Equity securities:						
Domestic	237,317	339,723			2,683,687	3,240,103
Foreign	88,928	178,023			1,306,148	1,197,501
Fixed-income securities:						
U.S. government-guaranteed	17,016	294,545			1,659,834	2,705,074
Other U.S. dollar-denominated	52,378	46,480			513,830	471,693
Foreign currency-denominated		57			90,308	3,221
Lent for securities collateral	**395,639**	**858,828**			**6,253,807**	**7,617,592**
Total securities lent	**$777,913**	**$1,794,489**	**$41,974**	**$36,384**	**$13,721,373**	**$13,634,915**
COLLATERAL RECEIVED						
Cash	$429,311	$991,052			$7,588,760	$6,126,849
Foundations' share	(41,974)	(36,384)	$41,974	$36,384		
Total cash collateral received	**387,337**	**954,668**	**41,974**	**36,384**	**7,588,760**	**6,126,849**
Securities	426,482	932,360			6,741,336	8,269,811
Total collateral received	**$813,819**	**$1,887,028**	**$41,974**	**$36,384**	**$14,330,096**	**$14,396,660**
INVESTMENT OF CASH COLLATERAL						
Fixed-income securities:						
Other U.S. dollar-denominated:						
Corporate bonds	$4,230	$51,173			$74,771	$316,357
Commercial paper	12,101	120,336			213,900	743,938
Repurchase agreements	271,677	276,518			4,802,322	1,709,481
Corporate - asset-backed securities	2,032	26,269			35,915	162,397
Certificates of deposit/time deposits	110,815	441,744			1,958,860	2,730,933
Supranational/foreign	28,761	76,119			508,393	470,583
Other assets (liabilities), net*	(310)	(835)			(5,481)	(5,163)
Foundations' share	(41,974)	(36,384)	$41,974	$36,384		
Investment of cash collateral	**387,332**	**954,940**	**41,974**	**36,384**	**$7,588,680**	**$6,128,526**
Less: Current portion	(350,610)	(839,994)	(37,995)	(32,733)		
Noncurrent portion	**$36,722**	**$114,946**	**$3,979**	**$3,651**		

** Other assets (liabilities), net is comprised of pending settlements of cash collateral investments.*

The University earns interest and dividends on the collateral held during the loan period, as well as a fee from the brokerage firm, and is obligated to pay a fee and rebate to the borrower. The University receives the net investment income. The securities lending income and fees and rebates for the year ended June 30 are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
(in thousands of dollars)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Securities lending income	$14,348	$32,269	$1,603	$1,497	$133,203	$212,596
Securities lending fees and rebates	(7,599)	(23,810)	(883)	(1,112)	(91,549)	(160,185)
Securities lending investment income, net	**$6,749**	**$8,459**	**$720**	**$385**	**$41,654**	**$52,411**

Investment Risk Factors

There are a variety of potential risk factors involved in a securities lending program. Risks associated with the investment of cash collateral may include the credit risk from fixed-income securities, concentration of credit risk, interest rate risk and foreign currency risk. In addition, there may be custodial credit risk associated with both cash and securities received as collateral for securities lent.

The University's and UCRS' investment guidelines and other information related to each of these risks are summarized below. Campus foundations that participate in a securities lending program may have their own individual investment policies designed to limit the same risks.

Credit Risk

The University's and UCRS' investment guidelines for the investment of cash collateral maintained in separately managed collateral pools restrict the credit rating of issuers at the time of purchase to no less than A-1, P-1 or F-1 for short-term securities and no less than A2/A for long-term securities. Asset-backed securities must have a rating of AAA at the time of purchase.

The credit risk profile for fixed- or variable-income securities associated with the investment of cash collateral at June 30 are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
(in thousands of dollars)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Fixed- or variable-income securities:						
Other U.S. dollar-denominated:						
AAA	$18,301	$48,557			$323,508	$300,188
AA-	23,023	85,376			406,975	527,811
A+	43,049	301,142			760,959	1,861,709
A	19,811	42,688			350,189	263,903
A-						
A-1 / A-2 / P-1/ F-1	41,263	184,046			729,405	1,137,805
Not rated	12,491	53,831			220,801	332,792
Other assets (liabilities) net*: not rated	(310)	(835)			(5,481)	(5,163)
Campus foundations' share	(41,974)	(36,384)	$41,974	$36,384		

** Other assets (liabilities), net is comprised of pending settlements of cash collateral investments.*

Custodial Credit Risk

Cash collateral received for securities lent is invested in pools by the University's lending agents. The University's and UCRS' securities related to the investment of cash collateral are registered in the University's name by the lending agents. Securities collateral received for securities lent are held in investment pools by the University's lending agents. As a result, custodial credit risk is remote.

Concentration of Credit Risk

The University's and UCRS' investment guidelines with respect to the concentration of credit risk associated with the investment of cash collateral in the separately managed collateral pools restricts investments in any single issuer of corporate debt securities, time deposits, certificates of deposit, banker's acceptances and money market funds to no more than 5 percent of the portfolio value at the time of purchase. Campus foundations that directly participate in a securities lending program do not have specific investment policies related to concentration of credit risk, although the lending agreements with the agents establish restrictions for the type of investments, as well as minimum credit ratings.

Investments in issuers other than U.S. government-guaranteed securities that represent 5 percent or more of the total investment of cash collateral at June 30 are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
(in thousands of dollars)	**2020**	**2019**	**2020**	**2019**
Morgan Stanley & Co LLC	$36,784	$69,617	$650,218	$430,383
Skandinaviska Enskilda Banken AB		53,334		329,721
UBS AG		51,535		318,596
Citigroup Global Markets Inc.	30,520		539,481	
JP Morgan Securities LLC	28,699		507,299	
BofA Securities Inc.	22,167		391,834	
BNP Paribas Prime Brokerage	26,397		466,603	
Barclays Bank PLC	31,590		558,409	

Interest Rate Risk

The nature of individual securities in the collateral pools allows for the use of weighted average maturity as an effective risk management measure. The University's and UCRS' investment guidelines with respect to the interest rate risk associated with the investment of cash collateral in the separately managed collateral pools require the weighted average maturity of the entire collateral pool to be less than 120 days. The maturity of securities issued by the U.S. government and asset-backed securities must be less than five years, corporate debt obligations must be less than two years and time deposits must be less than 190 days.

The weighted average maturity expressed in days for fixed- or variable-income securities associated with the investment of cash collateral at June 30 are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
(in days)	**2020**	**2019**	**2020**	**2019**
Fixed- or variable-income securities:				
Other U.S. dollar-denominated:				
Corporate bonds	1	19	1	19
Commercial paper	42	26	42	26
Repurchase agreements	9	11	9	11
Corporate asset-backed securities	15	29	15	29
Certificates of deposit/time deposits	20	23	20	23
Supranational/foreign	19	18	19	18

Investment of cash collateral may include various asset-backed securities, structured notes and variable-rate securities that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features, although the weighted average maturity may be short.

At June 30, the fair value of investments that are considered to be highly sensitive to changes in interest rates are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
(in thousands of dollars)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Other asset-backed securities	$28,866	$95,060			$510,246	$587,680
Variable-rate investments	212,834	797,390			3,762,173	4,929,597
Campus foundations' share	(23,632)	(32,755)	$23,632	$32,755		
Total	**$218,068**	**$859,695**	**$23,632**	**$32,755**	**$4,272,419**	**$5,517,277**

At June 30, 2020 and 2019, the weighted average maturity expressed in days for asset-backed securities was 19 days and 23 days, respectively and for variable-rate investments it was 9 days and 153 days, respectively.

Foreign Currency Risk

The University's and UCRS' investment policy with respect to the foreign currency risk associated with the investment of cash collateral maintained in separate collateral pools restricts investments to U.S. dollar-denominated securities. Therefore, there is no foreign currency risk.

4. DERIVATIVE FINANCIAL INSTRUMENTS

The University may use derivatives including futures, forward contracts, options and interest rate swap contracts as a substitute for investing in equity and fixed-income securities to reduce the effect of fluctuating foreign currencies on foreign currency-denominated investments, or to limit its exposure of variable-rate bonds to changes in market interest rates. The Board of Trustees for each campus foundation may also authorize derivatives in its investment policy.

The University enters into futures contracts for the purpose of acting as a substitute for investing in equity and fixed-income securities. A futures contract is an agreement between two parties to buy and sell a security or financial index, interest rate or foreign currency at a set price on a future date. They are standardized contracts that can be easily bought and sold and are exchange-traded. Upon entering into such a contract, the University is required to pledge to the broker an amount of cash or securities equal to the minimum initial margin requirements of the exchange on which the contract is traded. Pursuant to the contract, the University agrees to receive from, or pay to, the counterparty an amount of cash equal to the daily fluctuation in the value of the contract. These contracts are settled on a daily basis, with the resulting realized gain or loss included in the statement of revenues, expenses and changes in net position. The settlement amount at the end of each day for each of the contracts, or variation margin, is included in investments and represents the fair value of the contracts.

Forward contracts are similar to futures contracts, although they are not exchange-traded. Foreign currency exchange contracts are forward contracts used to hedge against foreign currency exchange rate risks on non-U.S. dollar-denominated investment securities and to increase or decrease exposure to various foreign currencies.

An options contract gives the University the right, but not the obligation, to buy or sell a specified security or index at a fixed price during a specified period for a nonrefundable fee (the "premium"). The maximum loss to the University is limited to the premium originally paid for covered options. The University initially records premiums paid for the purchase of these options in the statement of net position as an investment which is subsequently adjusted to reflect the fair value of the options, with unrealized gains and losses included in the statement of revenues, expenses and changes in net position.

Rights and warrants provide the holder with the right, but not the obligation, to buy a stock at a predetermined price for a finite period of time. Warrants usually have a longer time period to expiration. The holder of a right or warrant is permitted to buy at a price that may be below the actual market price for that stock. Warrants and rights cease to exist and become worthless if not used by their expiration date.

An interest rate swap is a contractual agreement entered into between the University and a counterparty under which each agrees to exchange periodic fixed or variable payments for an agreed period of time based upon a notional amount of principal or value of the underlying contract. The payments correspond to an equity index, an interest rate or to currency. A credit default swap is an agreement whereby the seller will compensate the buyer in the event of a loan default. A swaption is an option granting its owner the right but not the obligation to enter into an underlying swap. The University considers its futures, forward contracts, options, credit default swaps, swaptions, rights, warrants and certain interest rate swaps to be investment derivatives.

As a means to lower the University's borrowing costs, when compared against fixed-rate bonds at the time of issuance, the University entered into interest rate swap agreements in connection with certain of its variable-rate Medical Center Pooled Revenue Bonds and General Revenue Bonds. The University determined that certain of its interest rate swaps are derivative instruments that meet the criteria for an effective hedge. Certain of the interest rate swaps are considered hybrid instruments since, at the time of execution, the fixed rate on each of the swaps was off-market and the University received an upfront payment. As such, these swaps are each comprised of a derivative instrument, an at-the-market swap that is an effective hedge, and a companion instrument, a borrowing represented by the upfront payment. The unamortized amount of the borrowing under the companion instruments was $81.7 million and $80.0 million at June 30, 2020 and 2019, respectively.

As a result of global reference rate reform, LIBOR (the London Interbank Offered Rate) is expected to cease to exist in its current form at the end of 2021. In anticipation of the upcoming phase-out of LIBOR, the University amended its interest rate swap agreements to change the index rate from LIBOR to the Federal Funds Rate in 2020 and 2019. The University continued hedge accounting for certain interest rate swap agreements when the reference rates were modified from LIBOR to Federal Funds since the criteria to continuing hedge accounting under GASB Statement No. 93 were met. Additionally, in 2020, the reference rate for other interest rates swap agreements were modified from LIBOR to the Federal Funds Rate, and the related LIBOR indexed bonds were refinanced. Since the bonds were refinanced when the interest rate swaps were modified, the University discontinued hedge accounting. The result of terminating hedge accounting for the LIBOR bonds and swaps was to recognize a loss of $6.5 million in other nonoperating expenses during the year ended June 30, 2020. To commence hedge accounting for the new Federal Funds Rate swap agreements, an additional borrowing for the off-the-market rate swap of $7.1 million was recognized at June 30, 2020. In 2019, to reduce rollover risk, the University also entered into new interest rate swap agreements commencing in 2023 through 2039.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, categorized by type, and the changes in fair value of such derivatives are as follows:

University of California

(in thousands of dollars)	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	**2020**	**2019**	**CLASSIFICATION**	**2020**	**2019**	**CLASSIFICATION**	**2020**	**2019**
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	$87,663	$58,652	Investments	$643	$888	Net appreciation (depreciation)	($5,265)	($14,735)
Short positions			Investments			Net appreciation (depreciation)		7
Foreign equity futures:								
Long positions	1,918	1,174	Investments	36	14	Net appreciation (depreciation)	(14)	(604)
Futures contracts, net				**679**	**902**		**(5,279)**	**(15,332)**
Foreign currency exchange contracts, net:								
Long positions	225	241	Investments	(1)	1	Net appreciation (depreciation)	2,019	1,299
Short positions	121,353	133,966	Investments	(3,801)	(565)	Net appreciation (depreciation)	3,080	2,368
Foreign currency exchange contracts, net				**(3,802)**	**(564)**		**5,099**	**3,667**
Other:								
Stock rights/warrants			Investments	137	207	Net appreciation (depreciation)	(78)	(10)
Other, net				**137**	**207**		**(78)**	**(10)**
Total investment derivatives				**($2,986)**	**$545**		**($258)**	**($11,675)**
CASH FLOW HEDGES								
Effective interest rate swaps:								
Pay fixed, receive variable	$1,431,535	$1,435,260	Other assets (liabilities)	($259,944)	($130,161)	Deferred (inflows) outflows	($129,783)	($75,322)

University of California Campus Foundations

(in thousands of dollars)	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	**2020**	**2019**	**CLASSIFICATION**	**2020**	**2019**	**CLASSIFICATION**	**2020**	**2019**
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Short positions	($125,372)		Investments	$10,810		Net appreciation (depreciation)	($488)	
Foreign equity futures:								
Long positions	(1,093)		Investments	131		Net appreciation (depreciation)	(13)	
Foreign currency exchange contracts, net:								
Long positions	94,777		Investments	2,435		Net appreciation (depreciation)	6,910	
Other:								
Options/swaptions	3,166	$55,128	Investments	(45)	($388)	Net appreciation (depreciation)	(7,096)	$672
Swaps	59,610	169,999	Investments			Net appreciation (depreciation)	(12,135)	(10,847)
Total investment derivatives				**$13,331**	**($388)**		**($12,822)**	**($10,175)**

University of California Retirement System

(in thousands of dollars)	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	**2020**	**2019**	**CLASSIFICATION**	**2020**	**2019**	**CLASSIFICATION**	**2020**	**2019**
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	$462,091	$401,208	Investments	$4,611	$5,228	Net appreciation (depreciation)	($7,413)	($39,204)
Short positions			Investments			Net appreciation (depreciation)		1,836
Foreign equity futures:								
Long positions	44,630	66,200	Investments	332	732	Net appreciation (depreciation)	(1,242)	538
Short positions			Investments			Net appreciation (depreciation)		809
Futures contracts, net				**4,943**	**5,960**		**(8,655)**	**(36,021)**
Foreign currency exchange contracts, net:								
Long positions	12,858	12,830	Investments	(55)	65	Net appreciation (depreciation)	2,837	(2,915)
Short positions	187,035	206,476	Investments	(5,860)	(870)	Net appreciation (depreciation)	4,821	5,469
Foreign currency exchange contracts, net				**(5,915)**	**(805)**		**7,658**	**2,554**
Other:								
Stock rights/warrants			Investments	1,554	1,330	Net appreciation (depreciation)	(1,364)	135
Other, net				**1,554**	**1,330**		**(1,364)**	**135**
Total investment derivatives				**$582**	**$6,485**		**($2,361)**	**($33,332)**

Objectives and Terms of Hedging Derivative Instruments

The objectives and terms of the hedging derivative instruments outstanding at June 30, along with the credit rating of the associated counterparty, are as follows:

(in thousands of dollars)		NOTIONAL AMOUNT							FAIR VALUE	
TYPE	OBJECTIVE	2020	2019	EFFECTIVE DATE	MATURITY DATE	CASH PAID OR RECEIVED	TERMS	COUNTERPARTY CREDIT RATING	2020	2019
UNIVERSITY OF CALIFORNIA										
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	$56,760		2020	2032	None	Pay fixed 3.5897%; receive 58% of Federal Funds Rate + 0.564%	Aa2/A+	($10,708)	
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds		$60,485	2007	2032	None	Pay fixed 3.5897%; receive 58% of 1-Month LIBOR* plus 0.48%	Aa2/A+		($8,319)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	31,610		2020	2030	None	Pay fixed 4.55%; receive 67% of Federal Funds Rate + 0.76%	Aa2/A+	(7,448)	
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	38,670		2020	2037	None	Pay fixed 4.625%; receive 67% of Federal Funds Rate + 0.797%	Aa2/A+	(17,738)	
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	54,495		2020	2043	None	Pay fixed 4.6935%; receive 67% of Federal Funds Rate + 0.861%	Aa2/A+	(33,723)	
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds		124,775	2016	2030 through 2043	None	Pay fixed 4.6359%; receive 67% of 3-Month LIBOR* plus 0.69%**	Aa2/A+		(41,528)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	400,000	400,000	2019	2023	None	Pay fixed 1.8982%; receive 70% of Federal Funds Rate + 0.0925%	Aa2/AA-	(23,387)	(12,295)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	100,000	100,000	2019	2023	None	Pay fixed 1.9057%; receive 70% of Federal Funds Rate + 0.0925%	Aa2/AA-	(5,871)	(3,105)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	100,000	100,000	2019	2023	None	Pay fixed 1.8980%; receive 70% of Federal Funds Rate + 0.0975%	Aa2/A+	(5,830)	(3,053)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	24,250		2020	2045	None	Pay fixed 4.741%; receive 67% of Federal Funds Rate + 0.902%	Aa2/A+	(16,923)	
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds		24,250	2016	2045	None	Pay fixed 4.741%; receive 67% of 3-Month LIBOR* +0.79%	Aa2/A+		(11,198)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	25,750		2020	2047	None	Pay fixed 4.741%; receive 67% of Federal Funds Rate + 0.902%	Aa2/A+	(19,007)	
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds		25,750	2016	2047	None	Pay fixed 4.741%; receive 67% of 3-Month LIBOR* +0.79%	Aa2/A+		(12,440)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	500,000	500,000	2023	2039	None	Pay fixed 1.9817%; receive 70% of Federal Funds Rate	Aa2/AA-	(100,587)	(32,712)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	100,000	100,000	2023	2039	None	Pay fixed 1.899%; receive 70% of Federal Funds Rate	Aa2/A+	(18,722)	(5,511)
Interest rate swaps, net		**$1,431,535**	**$1,435,260**						**($259,944)**	**($130,161)**

** London Interbank Offered Rate (LIBOR).* ***Weighted average spread.*

Hedging Derivative Instrument Risk Factors

Credit Risk

The University could be exposed to credit risk if the interest rate swap counterparties to the contracts are unable to meet the terms of the contracts. Contracts with positive fair values are exposed to credit risk. The University faces a maximum possible loss equivalent to the amount of the derivative's fair value, less any collateral held by the University provided by the counterparty. Contracts with negative fair values are not exposed to credit risk.

Although the University has entered into the interest rate swaps with creditworthy financial institutions to hedge its variable-rate debt, there is credit risk for losses in the event of nonperformance by counterparties or unfavorable interest rate movements.

There are no collateral requirements related to the interest rate swap with the $56.8 million notional amount. Depending on the fair value and the counterparty credit rating for the swaps related to the Medical Center Pooled Revenue Bonds with the counterparty that is currently rated Aa2/A+ with a combined notional amount of $174.8 million, the University may be entitled to receive collateral to the extent the positive fair value exceeds $20.0 million as of June 30, 2020. At June 30, 2020 and 2019, there was no collateral required.

Depending on the fair value and the counterparty credit rating for the swaps related to the General Revenue Bonds with the counterparty that is currently rated Aa2/AA- with a combined notional amount of $500.0 million, the University may be entitled to receive collateral to the extent the positive fair value with the counterparty exceeds $30.0 million. At June 30, 2020 and 2019, there was no collateral required.

Depending on the fair value and the counterparty credit rating for the swap related to the General Revenue Bonds with the counterparty that is currently rated Aa2/A+ with a notional amount of $100.0 million, the University may be entitled to receive collateral to the extent the positive fair value with the counterparty exceeds $20.0 million. At June 30, 2020 and 2019, there was no collateral required.

Interest Rate Risk

There is a risk that the value of the interest rate swaps will decline because of changing interest rates. The values of the interest rate swaps with longer maturities tend to be more sensitive to changing interest rates and, therefore, more volatile than those with shorter maturities.

Basis Risk

There is a risk that the basis for the variable payment received on interest rate swaps will not match the variable payment on the bonds. This exposes the University to basis risk whenever the interest rates on the bonds are reset. The interest rate on the bonds is a tax-exempt interest rate, while the basis of the variable receipt on the interest rate swaps is taxable. Tax-exempt interest rates can change without a corresponding change in the Federal Funds Rate due to factors affecting the tax-exempt market which do not have a similar effect on the taxable market.

Termination Risk

There is termination risk for interest rate swaps associated with variable-rate bonds in the event of nonperformance by counterparties in an adverse market resulting in cancellation of the synthetic interest rate and returning the interest rate payments to the variable interest rates on the bonds. In addition, depending on the agreement, certain interest rate swaps may be terminated if a counterparty's credit quality rating, as issued by Moody's or Standard & Poor's, falls below certain thresholds. For the interest rate swap with the $56.8 million notional amount, the termination threshold is reached when the credit quality rating for either the underlying Medical Center Pooled Revenue Bonds or swap counterparty falls below Baa2 or BBB. For the swaps with the combined $174.8 million notional amount, the termination threshold is reached when the credit quality rating for the underlying Medical Center Pooled Revenue Bonds falls below Baa3/BBB-, or the interest rate swap counterparty's rating falls below Baa2 or BBB.

For the swaps with notional amounts of $400.0 million and $100.0 million with a counterparty that is currently rated Aa2/AA-, the termination threshold is reached when the credit quality rating for the underlying General Revenue Bonds falls below Baa2 or BBB, or the swap counterparty's rating falls below A3 or A-. For the swap with a notional amount of $100.0 million with a counterparty that is currently rated Aa2/A+, the termination threshold is reached when the credit quality rating for the underlying General Revenue Bonds falls below Baa2 or BBB, or the swap counterparty's rating falls below A3 or A-. Upon termination, the University may also owe a termination payment if there is a realized loss based on the fair value of each interest rate swap.

Rollover Risk

The University is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the University will be re-exposed to the risks being hedged by the hedging derivative instruments. The University is exposed to rollover risk on the interest rate swaps that mature in June 2039 because the hedged debt is scheduled to mature in May 2048.

5. FAIR VALUE

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

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

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

Level 3 – Investments and other assets classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments and other assets are based upon the best information in the circumstance and may require significant management judgment. Level 3 financial instruments include private equity investments, real estate and beneficial interests in irrevocable split-interest agreements.

Net Asset Value (NAV) – Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in nongovernmental entities that do not have a readily determinable fair value may be valued at NAV. Investments measured at NAV include hedge funds, private equity investments and commingled funds.

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

The following tables summarize the investments and other assets reported at fair value within the fair value hierarchy as of June 30, 2020:

	UNIVERSITY OF CALIFORNIA					
(in thousands of dollars)	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (Level 1)	OTHER OBSERVABLE INPUTS (Level 2)	UNOBSERVABLE INPUTS (Level 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$8,579,736	$8,578,238		$1,498		
Fixed- or variable-income securities:						
U.S. government-guaranteed	2,732,793	405	$2,732,388			
Other U.S. dollar-denominated	8,313,670		8,313,670			
Commingled funds	13,893,708	4,961,331		882,572	$8,053,771	($3,966)
Investment derivatives	(2,986)	137	(3,123)			
Publicly traded real estate investment trusts	233,341	233,313			28	
Mortgage loans	900,480			900,480		
Real estate	835,644			61,827	773,817	
Other investments	10,316			10,316		
Campus foundations' investments with the University	(2,984,184)					(2,984,184)
UCRS investment in STIP	(1,848,727)					(1,848,727)
Total investments	**$30,663,791**	**$13,773,424**	**$11,042,935**	**$1,856,693**	**$8,827,616**	**($4,836,877)**
Securities lending investments of cash collateral	**$387,332**		**$387,642**			**($310)**
Investments held by trustees	**$711,987**	**$84,630**	**$375,744**		**$177,529**	**$74,084**
Beneficial interests included in other noncurrent assets	**$63,937**			**$63,937**		

(in thousands of dollars)	CAMPUS FOUNDATIONS					
	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (Level 1)	OTHER OBSERVABLE INPUTS (Level 2)	UNOBSERVABLE INPUTS (Level 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$171,357	$159,875	$8	$11,464	$10	
Fixed- or variable-income securities:						
U.S. government-guaranteed	419,978		419,978			
Other U.S. dollar-denominated	182,154	776	181,324	54		
Foreign currency denominated	933		933			
Commingled funds	9,607,482	600,506	473	20,403	8,921,289	$64,811
Investment derivatives	13,331	13,331				
Real estate	159,637		709	50,075	108,853	
Other investments	202,722	6,519		2,010	191,046	3,147
Total investments	**$10,757,594**	**$781,007**	**$603,425**	**$84,006**	**$9,221,198**	**$67,958**
Securities lending investments of cash collateral	**$41,974**		**$42,004**			**($30)**
Beneficial interests included in other noncurrent assets	**$72,758**			**$72,758**		

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM					
	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (Level 1)	OTHER OBSERVABLE INPUTS (Level 2)	UNOBSERVABLE INPUTS (Level 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$45,165,805	$45,165,751		$54		
Fixed- or variable-income securities:						
U.S. government-guaranteed	8,704,157		$8,704,157			
Other U.S. dollar-denominated	13,159,984		13,159,984			
Foreign currency-denominated	599		599			
Commingled funds	26,376,444	4,555,289		615,629	$21,834,187	($628,661)
Investment derivatives	582	1,556	(974)			
Publicly traded real estate investment trusts	1,729,028	1,728,655			373	
Real estate	2,141,683				2,141,683	
Total investments	**$97,278,282**	**$51,451,251**	**$21,863,766**	**$615,683**	**$23,976,243**	**($628,661)**
Securities lending investments of cash collateral	**$7,588,680**		**$7,594,161**			**($5,481)**

The following tables summarize the investments and other assets reported at fair value within the fair value hierarchy as of June 30, 2019:

	UNIVERSITY OF CALIFORNIA					
(in thousands of dollars)	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (Level 1)	OTHER OBSERVABLE INPUTS (Level 2)	UNOBSERVABLE INPUTS (Level 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$6,297,412	$6,294,977		$2,435		
Fixed- or variable-income securities:						
U.S. government-guaranteed	3,373,835	60,324	$3,313,511			
Other U.S. dollar-denominated	10,230,396	226,062	9,924,334	80,000		
Foreign currency-denominated	98		98			
Commingled funds	12,196,421	875,858		513,232	$10,742,484	$64,847
Investment derivatives	545	147	398			
Publicly traded real estate investment trusts	265,160	265,160				
Mortgage loans	766,748			766,748		
Real estate	1,035,477			59,014	976,463	
Other investments	121,256			10,383	110,873	
Campus foundations' investments with the University	(2,892,444)					(2,892,444)
UCRS investment in STIP	(2,687,523)					(2,687,523)
Total investments	**$28,707,381**	**$7,722,528**	**$13,238,341**	**$1,431,812**	**$11,829,820**	**($5,515,120)**
Securities lending investments of cash collateral	**$954,940**		**$955,775**			**($835)**
Investments held by trustees	**$1,245,948**	**$43,337**	**$583,306**		**$265,490**	**$353,815**
Beneficial interests included in other noncurrent assets	**$70,789**			**$70,789**		

	CAMPUS FOUNDATIONS					
(in thousands of dollars)	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (Level 1)	OTHER OBSERVABLE INPUTS (Level 2)	UNOBSERVABLE INPUTS (Level 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$300,989	$292,600	$12	$8,367	$10	
Fixed- or variable-income securities:						
U.S. government-guaranteed	357,522		357,522			
Other U.S. dollar-denominated	67,954	652	67,248	54		
Foreign currency-denominated	1,430		1,430			
Commingled funds	8,849,013	681,676	533	11,275	8,115,624	$39,905
Investment derivatives	(388)		(388)			
Real estate	143,713		1,260	53,600	88,853	
Other investments	258,156	9,178		2,911	243,368	2,699
Total investments	**$9,978,389**	**$984,106**	**$427,617**	**$76,207**	**$8,447,855**	**$42,604**
Securities lending investments of cash collateral	**$36,384**		**$36,415**			**($31)**
Beneficial interests included in other noncurrent assets	**$81,333**			**$81,333**		

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM					
	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (Level 1)	OTHER OBSERVABLE INPUTS (Level 2)	UNOBSERVABLE INPUTS (Level 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$39,608,395	$39,608,350		$45		
Fixed- or variable-income securities:						
U.S. government-guaranteed	6,654,026		$6,654,026			
Other U.S. dollar-denominated	15,977,772		15,977,772			
Foreign currency-denominated	536		536			
Commingled funds	29,292,865	3,439,009		280,282	$24,918,337	$655,237
Investment derivatives	6,485	1,011	5,474			
Publicly traded real estate investment trusts	2,092,822	2,092,822				
Real estate	1,823,802				1,823,802	
Total investments	**$95,456,703**	**$45,141,192**	**$22,637,808**	**$280,327**	**$26,742,139**	**$655,237**
Securities lending investments of cash collateral	**$6,128,526**		**$6,133,689**			**($5,163)**

The following table presents significant terms of certain investments at June 30, 2020:

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA			
INVESTMENT TYPE	FAIR VALUE	UNFUNDED COMMITMENTS	REMAINING LIFE (YEARS)	REDEMPTION TERMS AND RESTRICTIONS
Absolute return	$3,152,870	$189,458	0 to 5	Not eligible for redemption and lock-up provisions ranging from 0 to 3 years. For securities not eligible for redemptions the underlying assets are estimated to be liquidated within 3 to 5 years. For securities eligible for redemptions, after initial lock-up expires, redemptions are available on a rolling basis and require 30 to 365 days' prior notification.
Private equity	2,760,306	1,478,180	0 to 15	Not eligible for redemption.
Real assets	779,067	397,534	0 to 15	Not eligible for redemption.
Real estate and real estate investment trusts	963,395	407,334	0 to 10	Closed end funds are not eligible for redemption. For open end funds, redemptions are generally on a quarterly basis where the redemption date is the last day of each quarter. Payments of withdrawal requests are generally made within 45 days.
U.S. equity funds	2,829			Redemptions generally require at least 0-90 days written notice of intention to terminate as of a date specified in the notice. Payments of withdrawal requests are generally made within 0-120 days.
Non-U.S. equity funds	1,866,199			Redemptions require at least 7-180 days prior written notice of intention to terminate as of a date determined by the legal agreement between the investment manager and The Regents of the University of California. Withdrawals will occur on the last business day of the month and are subject to certain withdrawal guidelines.
Balanced funds	245,192			Redemptions require at least twelve months prior written notice of intention to terminate as of a date specified in the notice. Withdrawals will occur on the last business day of the month and are subject to certain withdrawal guidelines.

(in thousands of dollars)	CAMPUS FOUNDATIONS			
INVESTMENT TYPE	FAIR VALUE	UNFUNDED COMMITMENTS	REMAINING LIFE (YEARS)	REDEMPTION TERMS AND RESTRICTIONS
Absolute return	$2,819,938	$76,868	0 to 3	Generally, lock-up provisions ranging from 0 to 3 years. After initial lock-up expires, redemptions are available and require 30 to 180 days' prior notification.
Private equity	1,219,737	850,438	0 to 16	Generally, lock-up provisions ranging from 0 to 16 years. After initial lock-up expires, redemptions are available and require 30 to 180 days' prior notification.
Other investments	202,722	68,507	9	Not eligible for redemption.
Real estate and real estate investment trusts	413,503	122,726	0 to 14	Not eligible for redemption.
U.S. equity and Non-U.S. equity funds	2,220,011	21,630	0 to 4	Generally, lock-up provisions ranging from 0 to 4 years. After initial lock-up expires, redemptions are available and require 0 to 365 days' prior notification.

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM			
INVESTMENT TYPE	**FAIR VALUE**	**UNFUNDED COMMITMENTS**	**REMAINING LIFE (YEARS)**	**REDEMPTION TERMS AND RESTRICTIONS**
Absolute return	$4,492,152	$363,023	0 to 5	Not eligible for redemption and lock-up provisions ranging from 0 to 3 years. For securities not eligible for redemptions the underlying assets are estimated to be liquidated within 3 to 5 years. For securities eligible for redemptions, after initial lock-up expires, redemptions are available on a rolling basis and require 30 to 365 days' prior notification.
Private equity	5,050,083	3,323,379	0 to 15	Not eligible for redemption.
Real assets	2,350,466	881,522	0 to 15	Not eligible for redemption.
U.S. equity funds	1,893,101			Redemptions generally require at least 0-90 days written notice of intention to terminate as of a date specified in the notice. Payments of withdrawal requests are generally made within 0-120 days.
Non-U.S. equity funds	6,186,670			Redemptions require at least 7 - 180 days prior written notice of intention to terminate as of a date determined by the legal agreement between the investment manager and The Regents of the University of California. Withdrawals will occur on the last business day of the month and are subject to certain withdrawal guidelines.
Real estate and real estate investment trusts	4,276,767	716,758	0 to 10	Closed end funds are not eligible for redemption. For open end funds, redemptions are generally on a quarterly basis where the redemption date is the last day of each quarter. Payments of withdrawal requests are generally made within 45 days.

6. INVESTMENTS HELD BY TRUSTEES

The University has entered into agreements with trustees to maintain trusts for the University's long-term debt requirements, capital projects and certain other requirements.

Long-Term Debt

Investments held by trustees for future payment of principal and interest in accordance with various indenture and other long-term debt requirements totaled $16.2 million and $302.5 million at June 30, 2020 and 2019, respectively. In 2019, investments held by trustees included $286.5 million to retire General Revenue Bonds maturing on July 1, 2019. Securities held by trustees are held in the name of the University and these trust agreements permit trustees to invest in U.S. and state government or agency obligations, commercial paper or other corporate obligations meeting certain credit rating requirements.

Capital Projects

Proceeds from the sale of bonds for the design and construction of third-party blended component unit housing facilities are held by trustees. The fair value of these investments was $650.3 million and $909.8 million at June 30, 2020 and 2019, respectively. Substantially all of these investments are of a highly liquid, short-term nature.

7. ACCOUNTS RECEIVABLE

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

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA STATE AND FEDERAL GOVERNMENT	MEDICAL CENTERS	INVESTMENT INCOME	PRIVATE GRANTS AND CONTRACTS	MEDICAL PROFESSIONAL FEES	OTHER	TOTAL	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS
At June 30, 2020								
Accounts receivable	$905,086	$2,480,890	$702,971	$565,511	$536,374	$848,440	$6,039,272	$102,426
Allowance for uncollectible accounts	(8,304)	(309,776)		(23,105)	(166,875)	(39,575)	(547,635)	
Accounts receivable, net	**$896,782**	**$2,171,114**	**$702,971**	**$542,406**	**$369,499**	**$808,865**	**$5,491,637**	**$102,426**
At June 30, 2019								
Accounts receivable	$783,064	$2,445,017	$910,220	$494,767	$536,212	$767,285	$5,936,565	$37,496
Allowance for uncollectible accounts	(7,695)	(304,538)		(24,692)	(157,343)	(35,617)	(529,885)	
Accounts receivable, net	**$775,369**	**$2,140,479**	**$910,220**	**$470,075**	**$378,869**	**$731,668**	**$5,406,680**	**$37,496**

The University's other accounts receivable are primarily related to investment income, tuition and fees, auxiliary enterprises, insurance rebates and legal settlements.

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

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

UNIVERSITY OF CALIFORNIA *(In thousands of dollars)*	**2020**	**2019**
Student tuition and fees	($1,662)	($4,475)
Grants and contracts:		
Federal	(483)	(570)
State	(486)	(1,095)
Private	323	(1,280)
Local	7	(63)
Medical centers	(240,808)	(230,357)
Educational activities	(14,605)	(11,524)
Auxiliary enterprises	(877)	(1,159)
Other operating revenues	(4,157)	(2,315)
Expense for uncollectible accounts	**($262,748)**	**($252,838)**

Retirement System Contribution

The state of California agreed to make contributions related to certain prior years to the University for UCRP in annual installments over 30 years. During each of the years ended June 30, 2020 and 2019, under the terms of these agreements, the state of California contributed $5.3 million, including interest at 8.5 percent. The contribution receivable as of June 30, 2019 was $4.9 million and the final installment of this agreement was paid prior to June 30, 2020. These amounts are recorded in the University's statement of net position as a receivable from the state of California and as a liability owed to UCRP.

8. PLEDGES RECEIVABLE

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

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
(in thousands of dollars)	**2020**	**2019**	**2020**	**2019**
Total pledges receivable outstanding	$91,073	$72,286	$1,037,225	$1,090,878
Unamortized discount to present value	(1,621)	(1,522)	(131,117)	(137,971)
Allowance for uncollectible pledges	(14,493)	(12,689)	(63,941)	(64,915)
Total pledges receivable, net	**74,959**	**58,075**	**842,167**	**887,992**
Current portion of pledges receivable	(29,581)	(28,039)	(194,541)	(201,299)
Noncurrent portion of pledges receivable	**$45,378**	**$30,036**	**$647,626**	**$686,693**

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

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS
Year Ending June 30		
2021	$39,800	$216,495
2022	20,906	124,424
2023	16,862	151,630
2024	9,259	73,748
2025	3,379	59,279
2025-2029	867	172,538
Beyond 2029		239,115
Total payments on pledges receivable	**$91,073**	**$1,037,229**

Adjustments to the allowance for uncollectible pledges for the University have increased the following revenues for the years ended June 30, 2020 and 2019:

(in thousands of dollars)	**2020**	**2019**
Private gifts	$2,164	$3,744

9. NOTES AND MORTGAGES RECEIVABLE

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

	UNIVERSITY OF CALIFORNIA				UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		
		NONCURRENT					
(in thousands of dollars)	CURRENT	NOTES	MORTGAGES	TOTAL	CURRENT	NONCURRENT	TOTAL
At June 30, 2020							
Notes and mortgages receivable	$71,687	$347,844	$27,410	$375,254		$250	$250
Allowance for uncollectible amounts	(7,832)	(17,663)	(144)	(17,807)			
Notes and mortgages receivable, net	**$63,855**	**$330,181**	**$27,266**	**$357,447**		**$250**	**$250**
At June 30, 2019							
Notes and mortgages receivable	$74,417	$376,216	$21,838	$398,054		$250	$250
Allowance for uncollectible amounts	(8,060)	(17,923)	(150)	(18,073)			
Notes and mortgages receivable, net	**$66,357**	**$358,293**	**$21,688**	**$379,981**		**$250**	**$250**

10. DOE NATIONAL LABORATORY CONTRACTS

Los Alamos National Laboratory

The University is a member of Triad with two other organizations. Effective November 1, 2018, Triad assumed the management and operations of LANL under a contract with the DOE. While the University has an equal membership interest in Triad, the University's distributable management and operation fee is 42.7 percent of Triad. For the years ended June 30, 2020 and 2019, the University recorded fees of $9.0 million and $7.2 million, respectively, as part of other operating revenue.

LANS operated and managed the DOE's LANL prior to November 1, 2018. LANS' current earnings or losses were dependent on the percentage of base and incentive fees earned under the terms of the contract, offset by any unallowable or disallowed costs. While the University has a 50-percent membership interest in LANS, its equity in the current earnings or losses is subject to certain limitations and special allocations of both the fees and costs. As a result, the University's equity in the current earnings or losses may range from 17.0 to 50.0 percent. For the years ended June 30, 2020 and 2019, the University recorded $0.2 million and $2.9 million, respectively, as its equity in the current earnings of LANS and received $0.6 million and $1.5 million, respectively, in cash distributions.

Lawrence Livermore National Laboratory

LLNS manages and operates the DOE's LLNL. LLNS' current earnings or losses are dependent on the percentage of base and incentive fees earned under the terms of the contract, offset by any unallowable or disallowed costs. While the University has a 50-percent membership interest in LLNS, its equity in the current earnings or losses is 36.3 percent as of June 30, 2020 and 2019, respectively. For the years ended June 30, 2020 and 2019, the University recorded $17.4 million and $14.5 million, respectively, as its equity in the current earnings of LLNS and received $16.8 million and $14.3 million, respectively, in cash distributions.

11. CAPITAL ASSETS

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

(in thousands of dollars)	2018	ADDITIONS	DISPOSALS	2019	ADDITIONS	DISPOSALS	2020
ORIGINAL COST							
Land	$1,191,128	$92,360	($900)	$1,282,588	$91,192	($2,798)	$1,370,982
Infrastructure	738,000	112,103		850,103	71,594		921,697
Buildings and improvements	39,822,059	1,660,663	(40,640)	41,442,082	3,671,575	(43,498)	45,070,159
Equipment, software and intangibles	8,509,568	764,842	(251,284)	9,023,126	781,779	(438,375)	9,366,530
Libraries and collections	4,275,904	154,839	(32,683)	4,398,060	163,308	(86,873)	4,474,495
Special collections	531,156	14,739	(631)	545,264	70,788	(12,394)	603,658
Construction in progress	2,931,254	1,263,084		4,194,338	(258,919)		3,935,419
Capital assets, at original cost	**$57,999,069**	**$4,062,630**	**($326,138)**	**$61,735,561**	**$4,591,317**	**($583,938)**	**$65,742,940**

	2018	DEPRECIATION AND AMORTIZATION	DISPOSALS	2019	DEPRECIATION AND AMORTIZATION	DISPOSALS	2020
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure	$391,041	$27,477	($7)	$418,511	$29,395		$447,906
Buildings and improvements	16,504,751	1,255,205	(21,312)	17,738,644	1,318,966	($20,630)	19,036,980
Equipment, software and intangibles	5,599,825	682,521	(226,691)	6,055,655	697,459	(390,285)	6,362,829
Libraries and collections	3,178,345	135,025	(20,092)	3,293,278	138,611	(79,836)	3,352,053
Accumulated depreciation and amortization	**25,673,962**	**$2,100,228**	**($268,102)**	**27,506,088**	**$2,184,431**	**($490,751)**	**29,199,768**
Capital assets, net	**$32,325,107**			**$34,229,473**			**$36,543,172**

Service concession arrangements, reported as buildings and improvements, are $279.1 million of original cost and $35.8 million of accumulated depreciation at June 30, 2020. Service concession arrangements, reported as buildings and improvements, are $278.7 million of original cost and $30.7 million of accumulated depreciation at June 30, 2019.

12. SELF-INSURANCE, OBLIGATIONS UNDER LIFE INCOME AGREEMENTS AND OTHER LIABILITIES

The University's self-insurance, obligations under life income agreements and other liabilities at June 30, 2020 and 2019 are as follows:

	UNIVERSITY OF CALIFORNIA				UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS			
	2020		2019		2020		2019	
(in thousands of dollars)	CURRENT	NONCURRENT	CURRENT	NONCURRENT	CURRENT	NONCURRENT	CURRENT	NONCURRENT
Self-insurance programs	$419,994	**$778,778**	$388,880	**$715,417**				
Obligations under life income agreements	1,765	**$37,606**	1,501	**$35,118**	$18,147	**$146,119**	$18,054	**$150,069**
Other liabilities:								
Compensated absences	722,451	$498,475	670,767	$345,620				
UCRP*			4,891					
Accrued interest	143,199		138,338					
Fair value of interest rate swaps		259,945		130,161				
Third-party payor settlements	554,938		555,023					
Short-term advances	920,254							
Deposits	204,084		153,516					
Other	72,830	286,118	104,177	262,859	66,032	289,252	28,350	278,076
Total	**$3,039,515**	**$1,044,538**	**$2,017,093**	**$738,640**	**$84,179**	**$289,252**	**$46,404**	**$278,076**

** UCRP has an equivalent amount recorded as a contribution receivable from the University in its statement of fiduciary net position.*

To minimize the impact of disruptions in claims processing as a result of COVID-19, the Centers for Medicare & Medicaid Services (CMS) modified an advance payment program for health care providers as part of the CARES Act. The medical centers applied for and received advanced payments from this program. The medical centers have the option to repay the funds at any time or the advance payments can be recovered from processing Medicare claims during the 29-month repayment period, expected to begin during the 2021 fiscal year. To the extent the advances are not recovered during the repayment period, as defined by CMS, the advances are due on demand. The advances are interest free during the repayment period; however, if the medical centers have unpaid balances at the end of the repayment period, interest will be charged at four percent.

Self-Insurance Programs

Self-insured liabilities changed as follows for the years ended June 30:

(in thousands of dollars)	MEDICAL MALPRACTICE	WORKERS' COMPENSATION	EMPLOYEE & STUDENT HEALTH CARE	GENERAL LIABILITY AND OTHER	TOTAL
Year Ended June 30, 2020					
Liabilities at June 30, 2019	$222,628	$464,664	$155,031	$261,974	$1,104,297
Claims incurred and changes in estimates	44,865	89,480	1,474,810	153,235	1,762,390
Claim payments	(50,954)	(76,652)	(1,481,211)	(59,098)	(1,667,915)
Liabilities at June 30, 2020	**$216,539**	**$477,492**	**$148,630**	**$356,111**	**$1,198,772**
Discount rate	**3.0%**	**3.0%**	**Undiscounted**	**3.0%**	
Year Ended June 30, 2019					
Liabilities at June 30, 2018	$215,307	$455,963	$114,800	$190,750	$976,820
Claims incurred and changes in estimates	52,574	89,647	1,219,818	117,048	1,479,087
Claim payments	(45,253)	(80,946)	(1,179,587)	(45,824)	(1,351,610)
Liabilities at June 30, 2019	**$222,628**	**$464,664**	**$155,031**	**$261,974**	**$1,104,297**
Discount rate	**3.0%**	**3.0%**	**Undiscounted**	**3.0%**	
Year Ended June 30, 2018					
Liabilities at June 30, 2017	$193,155	$409,007	$90,178	$168,372	$860,712
Claims incurred and changes in estimates	75,112	129,808	973,303	63,290	1,241,513
Claim payments	(52,960)	(82,852)	(948,681)	(40,912)	(1,125,405)
Liabilities at June 30, 2018	**$215,307**	**$455,963**	**$114,800**	**$190,750**	**$976,820**
Discount rate	**2.6% to 4.7%**	**2.6% to 4.7%**	**Undiscounted**	**2.6% to 4.7%**	

Obligations Under Life Income Agreements

Changes in current and noncurrent obligations under life income agreements for the years ended June 30 are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
(in thousands of dollars)	ANNUITIES	LIFE BENEFICIARIES	ANNUITIES	LIFE BENEFICIARIES
Year Ended June 30, 2020				
Balance at June 30, 2019	$17,652	$18,967	$66,226	$101,897
New obligations to beneficiaries and changes in liability, net	4,247	2,136	10,129	2,842
Payments to beneficiaries	(2,425)	(1,206)	(6,970)	(9,858)
Obligations under life income agreements at June 30, 2020	**19,474**	**19,897**	**69,385**	**94,881**
Less: Current portion	(1,147)	(618)	(7,706)	(10,441)
Noncurrent portion at June 30, 2020	**$18,327**	**$19,279**	**$61,679**	**$84,440**
Year Ended June 30, 2019				
Balance at June 30, 2018	$17,909	$18,858	$64,862	$103,843
New obligations to beneficiaries and changes in liability, net	2,175	1,250	8,594	8,483
Payments to beneficiaries	(2,432)	(1,141)	(7,230)	(10,429)
Obligations under life income agreements at June 30, 2019	**17,652**	**18,967**	**66,226**	**101,897**
Less: Current portion	(844)	(657)	(7,428)	(10,626)
Noncurrent portion at June 30, 2019	**$16,808**	**$18,310**	**$58,798**	**$91,271**

13. 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 or indirectly through structures that involve legally separate entities reported as blended component units. Commercial paper and bank loans provide interim financing. Long-term financing includes revenue bonds, financing obligations and other borrowings.

The University's outstanding debt at June 30 is as follows:

(in thousands of dollars)	WEIGHTED AVERAGE INTEREST RATE	INTEREST RATE RANGE	MATURITY YEARS	2020	2019
INTERIM FINANCING:					
Commercial paper		0.1 - 1.7%	2020 - 2021	$1,327,000	$574,483
LONG-TERM FINANCING:					
University of California General Revenue Bonds:					
Fixed rate	4.8%	1.4 - 7.6%	2021 - 2115	11,071,095	11,613,425
Variable rate	0.1%	0.1 - 0.2%	2037 - 2048	750,000	750,000
University of California Limited Project Revenue Bonds	4.8%	1.8 - 6.3%	2021 - 2058	4,824,835	4,922,720
University of California Medical Center Pooled Revenue Bonds:					
Fixed rate	4.1%	1.6 - 6.6%	2021 - 2120	4,215,285	2,462,125
Variable rate	0.1%	0.1 %	2021 - 2047	237,270	240,810
Unamortized bond premium				1,206,141	1,297,554
University of California revenue bonds	**4.4%**			**22,304,626**	**21,286,634**
Financing obligations		0 - 11.8%	2020 - 2042	186,427	188,140
Other University borrowings		Various	2020 - 2055	913,410	801,046
Blended component unit revenue bonds, net	5.1%	3.3 - 6.5%	2021 - 2052	1,921,285	1,733,839
Total outstanding debt				**26,652,748**	**24,584,142**
Less: Commercial paper				(1,327,000)	(574,483)
Current portion of outstanding debt				(1,996,183)	(1,696,499)
Noncurrent portion of outstanding debt				**$23,329,565**	**$22,313,160**

Interest expense associated with financing projects during construction, net of any investment income earned on tax-exempt bond proceeds during construction, was capitalized up through June 30, 2019. Total interest expense during the years ended June 30, 2020 and 2019 was $921.8 million and $880.5 million, respectively. Interest expense, net of investment income, totaling $113.1 million was capitalized during the year ended June 30, 2019. The remaining $767.4 million in 2019 is reported as interest expense in the statement of revenues, expenses and changes in net position.

Outstanding Debt Activity

The activity with respect to the University's current and noncurrent debt, including the revenue bonds associated with blended component units, for the years ended June 30 is as follows:

(in thousands of dollars)	UNIVERSITY REVENUE BONDS	FINANCING OBLIGATIONS	OTHER UNIVERSITY BORROWINGS	BLENDED COMPONENT UNIT REVENUE BONDS	TOTAL
Year Ended June 30, 2020					
Long-term debt and financing obligations at June 30, 2019	$21,286,634	$188,140	$801,046	$1,733,839	$24,009,659
New obligations	1,949,210	47,978	206,587	175,065	2,378,840
Bond premium, net	0			35,231	35,231
Refinancing or prepayment of outstanding debt	(149,025)		(68,953)		(217,978)
Scheduled principal payments	(690,780)	(49,691)	(25,270)	(11,840)	(777,581)
Amortization of bond premium	(91,413)			(11,010)	(102,423)
Long-term debt and financing obligations at June 30, 2020	**22,304,626**	**186,427**	**913,410**	**1,921,285**	**25,325,748**
Less: Current portion	(1,726,406)	(44,058)	(194,263)	(31,456)	(1,996,183)
Noncurrent portion at June 30, 2020	**$20,578,220**	**$142,369**	**$719,147**	**$1,889,829**	**$23,329,565**
Year Ended June 30, 2019					
Long-term debt and financing obligations at June 30, 2018	$21,077,424	$207,118	$556,513	$1,035,918	$22,876,973
New obligations	653,060	16,327	259,810	662,465	1,591,662
Bond premium, net	22,242			54,670	76,912
Scheduled principal payments	(372,515)	(35,305)	(15,277)	(11,280)	(434,377)
Amortization of bond premium	(93,577)			(7,934)	(101,511)
Long-term debt and financing obligations at June 30, 2019	**21,286,634**	**188,140**	**801,046**	**1,733,839**	**24,009,659**
Less: Current portion	(1,620,253)	(42,337)	(12,820)	(21,089)	(1,696,499)
Noncurrent portion at June 30, 2019	**$19,666,381**	**$145,803**	**$788,226**	**$1,712,750**	**$22,313,160**

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, including interest rates, at June 30 is as follows:

	2020		2019	
(in thousands of dollars)	INTEREST RATES	OUTSTANDING	INTEREST RATES	OUTSTANDING
Tax-exempt	0.08 - 1.15%	$976,630	1.23 - 1.80%	$313,066
Taxable	0.15 - 1.72%	350,370	2.38 - 2.63%	261,417
Total outstanding		**$1,327,000**		**$574,483**

The expectation is that the University will continue to utilize available investments for liquidity support of the commercial paper program. Alternatively, the University may utilize lines of credit from external banks for the purpose of providing additional liquidity support for the commercial paper program. As of June 30, 2020, the University has two revolving credit agreements totaling $700.0 million. There were no borrowings against the revolving credit lines as of June 30, 2020.

University of California Revenue Bonds

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

General Revenue Bonds are collateralized solely by General Revenues as defined in the General Revenue Bond Indenture. General Revenues are certain operating and nonoperating revenues of the University consisting of gross student tuition and fees; a portion of state appropriations; facilities and administrative cost recovery from contracts and grants; revenues from educational, auxiliary and other activities; and other revenues, including unrestricted investment income. The General Revenue Bond Indenture requires the University to set rates, charges and fees each year sufficient for General Revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of General Revenues for interest rate swap agreements is on a parity basis with the University's General Revenue Bonds. General Revenues for the years ended June 30, 2020 and 2019 were $18.1 billion and $17.8 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. Pledged revenues for the years ended June 30, 2020 and 2019 were $1.3 billion and $1.5 billion, 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 medical center revenues for interest rate swap agreements may be at parity with, or subordinate to, Medical Center Pooled Revenue Bonds. Pledged revenues of the medical centers for the years ended June 30, 2020 and 2019 were $14.4 billion and $13.4 billion, respectively.

2020 Activity

In March 2020, Medical Center Pooled Revenue Bonds totaling $1.9 billion, including $1.8 billion in taxable bonds, were issued to finance the acquisition, construction, improvement and renovation of certain facilities at the University's medical centers. The taxable bonds mature at various dates through 2120 and have a stated weighted average interest rate of 3.4 percent. In addition, $149.2 million in variable bonds were issued to refund $149.0 million of Medical Center Pooled Revenue Bonds indexed to LIBOR.

In July 2019, one of the LLC's, through its conduit issuer, issued additional Student Housing LLC Revenue Bonds totaling $175.1 million. The bonds mature at various dates through 2052 and have a stated weighted average interest rate of 5.0 percent. Proceeds, including a bond premium of $35.4 million were used to pay for project construction and issuance costs. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

2019 Activity

In March 2019, General Revenue Bonds totaling $653.1 million, including $114.4 million in tax-exempt bonds and $538.7 million in taxable bonds, were issued for working capital purposes and to finance the acquisition, construction, improvement and renovation of certain facilities of the University. The bonds mature at various dates through 2049. Proceeds, including a bond premium of $22.2 million, were used to pay for project construction and issuance costs and to repay of $286.5 million outstanding General Revenue Bonds maturing on July 1, 2019. The tax-exempt bonds have a stated weighted average interest rate of 5.0 percent. The taxable bonds have a stated weighted average interest rate of 3.3 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

Subsequent Event

In July 2020, General Revenue Bonds totaling $2.6 billion, including $826.2 million in tax-exempt bonds and $1.8 billion in taxable bonds, were issued for working capital purposes and to finance and refinance the acquisition, construction, improvement and renovation of certain facilities of the University. The bonds mature at various dates through 2050. Proceeds of $1.5 billion of the taxable bonds will be used for operations. Proceeds of the tax-exempt bonds and the remaining proceeds of the taxable bonds, including a bond premium of $190.3 million, were used to pay for project construction and issuance costs and to repay $45.7 million of outstanding General Revenue Bonds in August 2020. The tax-exempt bonds have a stated weighted average interest rate of 4.2 percent . The taxable bonds have a stated weighted average interest rate of 1.5 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

Capital Leases

Capital leases entered into with other lessors, typically for equipment, totaled $48.0 million and $16.3 million for the years ended June 30, 2020 and 2019, respectively.

Other University Borrowings

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

The University may use uncollateralized revolving lines of credit with commercial banks for capital purposes and to provide interim financing for buildings and equipment. Lines of credit commitments for general corporate purposes, with various expiration dates through May 3, 2021, totaled $400.0 million at June 30, 2020 and $400.0 million at June 30, 2019. Outstanding borrowings under these bank lines totaled $150.0 million and $150.0 million at June 30, 2020 and 2019, respectively.

Certain of the interest rate swaps are considered hybrid instruments. As such, the interest rate swaps are comprised of a derivative instrument and a companion instrument recorded as a borrowing. The unamortized amount of the borrowing was $81.7 million and $80.0 million at June 30, 2020 and 2019, respectively.

In August 2016, the University entered into an agreement with a developer to design, construct, finance, operate and maintain certain auxiliary, administrative, academic and research facilities of one of its campuses through 2055. Construction of all of the facilities was completed in the summer of 2020. Payments under this agreement have two components: the first component of the agreement is related to the operations and maintenance of the facilities; the second component is to service the private debt incurred by the developer. The payments for servicing the private debt are being treated as capital leases and are recorded as other borrowings by the University. The operations and maintenance component of the payments will be expensed as incurred. In the event that the operations and maintenance agreement with the developer is terminated, the outstanding portion of the private debt incurred by the developer would become an obligation of the University. The outstanding amount of the borrowing was $652.0 million and $539.7 million at June 30, 2020 and 2019, respectively.

Blended Component Unit Revenue Bonds

Student Housing

The University has entered into ground leases with legally separate nonprofit corporations that develop and own student housing projects and related amenities and improvements on three University campuses through the use of project limited liability corporations (LLC). Each LLC, through a conduit issuer, has outstanding Student Housing LLC Revenue Bonds to finance the construction of the student housing facilities. Each LLC manages the premises. The University’s reversionary interest in the land is not subordinated. All costs associated with the ownership, operation and management of the improvements are the obligation of each LLC. Student rental rates are established in order to provide for operating expenses and maintain the required debt service coverage ratios. The bonds generally have annual principal and semiannual interest payments, serial and term maturities, certain sinking fund requirements and optional redemption provisions. They are not collateralized by any encumbrance, mortgage or other pledge of property, except pledged revenues of the student housing projects, and do not constitute general obligations of The Regents.

In July 2019, one of the LLC's, through its conduit issuer, issued additional Student Housing LLC Revenue Bonds totaling $175.1 million. The bonds mature at various dates through 2052 and have a stated weighted average interest rate of 5.0 percent. Proceeds, including a bond premium of $35.4 million were used to pay for project construction and issuance costs. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In December 2018, two other LLCs, through a conduit issuer, issued additional Student Housing LLC Revenue Bonds totaling $662.5 million. The bonds mature at various dates through 2052 and have a stated weighted average interest rate of 4.8 percent. Proceeds, including a bond premium of $54.7 million, were used to pay for project construction and issuance costs. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

At June 30, 2020 and 2019, the LLCs, through a conduit issuer, has outstanding Student Housing LLC Revenue Bonds totaling $1.3 billion and $1.2 billion, respectively. The bonds mature at various dates through 2052 and have a weighted average interest rate of 4.9 percent.

Research Facilities

The University has a public/private partnership, for the purpose of developing, constructing and managing a neuroscience research and laboratory building and a psychiatry youth and family center with a legally separate, nonprofit corporation (the Corporation). In connection with these facilities, the University entered into ground leases with the Corporation. The Corporation has entered into a sub-ground lease with a developer to construct, own and manage the facilities. The University agreed to lease all of the space in the building from the developer. The University's base rent payments are equal to the principal and interest payments on the bonds are issued by a conduit issuer and loaned to the nonprofit corporation to finance the construction of the building. As security on the bonds, the developer has assigned all payments received from the University for the space lease to the bond trustee.

At June 30, 2020 and 2019, the Corporation, through a conduit issuer, has outstanding tax-exempt revenue bonds totaling $190.7 million and taxable revenue bonds totaling $188.0 million. The tax-exempt revenue bonds mature at various dates from 2021 to 2052 and have a weighted average interest rate of 5.0 percent. The tax-exempt revenue bonds generally have annual serial maturities, semiannual interest payments and optional redemption provisions. The taxable bonds mature from 2026 to 2049 and have an interest rate of 6.5 percent. The taxable bonds were issued as Build America Bonds, under which the U.S. Treasury is expected to send the conduit issuer 35.0 percent of the semiannual interest cost on the taxable bonds, making the net interest rate 4.2 percent post-subsidy. The taxable bonds have a term maturity with various certain annual sinking fund requirements, semiannual interest payments and optional redemption provisions.

In addition, the University entered into a ground lease with another legally separate, nonprofit corporation (the Consortium). The Consortium entered into an agreement with a developer to develop and own a research laboratory facility designed to expand collaborative work in stem cell research and facilitate its translation into tools and techniques to diagnose and treat degenerative diseases and other ailments. The developer constructed the research laboratory facility. All costs associated with the ownership, operation and management of the laboratory research facility are the obligation of the Consortium. The University, along with the other collaborative research partners, will lease space in the building.

The Consortium, through a conduit issuer, has outstanding revenue bonds totaling $49.3 million and $50.7 million at June 30, 2020 and 2019, respectively. The bonds mature at various dates through 2040 and have a weighted average interest rate of 4.4 percent. The bonds generally have annual principal and semiannual interest payments, serial and term maturities, certain sinking fund requirements and optional redemption provisions. Lease payments from the occupants of the building are pledged as collateral on the bonds. To the extent the lease payments are not sufficient to pay the debt service, the University is obligated to pay the shortfall.

Future Debt Service and Hedging Derivative Interest Rate Swaps

Future debt service payments for the University's fixed- and variable-rate debt for each of the five fiscal years subsequent to June 30, 2020, and thereafter are as presented below. Although not a prediction by the University 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)	COMMERCIAL PAPER	MEDICAL CENTER REVENUE BONDS	UNIVERSITY REVENUE BONDS	FINANCING OBLIGATIONS	OTHER UNIVERSITY BORROWINGS	BLENDED COMPONENT UNIT REVENUE BONDS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year Ending June 30									
2021	$1,328,894	$259,744	$1,332,610	$50,553	$268,119	$108,892	$3,348,812	$2,313,687	$1,035,125
2022		258,730	1,111,715	27,748	19,739	111,006	1,528,938	519,305	1,009,633
2023		258,102	1,108,952	23,424	19,870	117,715	1,528,063	539,191	988,872
2024		252,567	1,135,998	17,284	18,504	118,865	1,543,218	576,003	967,215
2025		251,913	1,137,854	12,899	18,126	120,148	1,540,940	597,191	943,749
2026 - 2030		1,208,538	6,442,768	40,423	93,029	612,156	8,396,914	4,160,423	4,236,491
2031 - 2035		1,167,522	5,083,366	34,801	96,187	612,090	6,993,966	3,605,514	3,388,452
2036 - 2040		1,208,205	4,471,752	38,005	110,286	581,431	6,409,679	3,933,044	2,476,635
2041 - 2045		1,216,023	3,155,756	13,983	95,716	448,139	4,929,617	3,394,136	1,535,481
2046 - 2050		1,391,676	1,684,798		84,788	429,676	3,590,938	2,685,813	905,125
2051 - 2055		193,970	548,469		102,429	97,002	941,870	374,344	567,526
2056 - 2120		2,011,049	5,241,255				7,252,304	2,573,076	4,679,228
Total future debt service	**1,328,894**	**9,678,039**	**32,455,293**	**259,120**	**926,793**	**3,357,120**	**48,005,259**	**$25,271,727**	**$22,733,532**
Less: Interest component of future payments	(1,894)	(5,225,484)	(15,809,363)	(72,693)	(13,385)	(1,610,714)	(22,733,532)		
Principal portion of future payments	**1,327,000**	**4,452,555**	**16,645,930**	**186,427**	**913,408**	**1,746,406**	**25,271,727**		
Adjusted by:									
Unamortized bond premium		125,237	1,080,904			174,880	1,381,021		
Total debt	**$1,327,000**	**$4,577,792**	**$17,726,834**	**$186,427**	**$913,408**	**$1,921,286**	**$26,652,748**		

Long-term debt does not include $1.5 billion of defeased liabilities at June 30, 2020. Investments that have maturities and interest rates sufficient to fund retirement of these liabilities are being held in irrevocable trusts for the debt service payments. Neither the assets of the trusts nor the outstanding obligations are included in the University's statement of net position.

General Revenue Bonds of $750.0 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. The University has classified these bonds as current liabilities as of June 30, 2020.

Medical Center Pooled Revenue Bonds of $237.3 million are variable-rate demand bonds which give the debt holders the ability to tender the bonds back to the University upon demand. The University has classified these bonds as current liabilities as of June 30, 2020.

For the University's cash flow hedges, future debt service payments for the University's variable-rate debt and net receipts or payments on the associated hedging derivative instruments for each of the five fiscal years subsequent to June 30, 2020, and thereafter are as presented below. Although not a prediction by the University of the future interest cost of the variable-rate bonds or the impact of the interest rate swaps, using rates as of June 30, 2020, combined debt service requirements of the variable-rate debt and net swap payments are as follows:

	VARIABLE-RATE BONDS		INTEREST RATE SWAP, NET	TOTAL PAYMENTS
(in thousands of dollars)	PRINCIPAL	INTEREST		
Year Ending June 30				
2021	$3,860	$519	$18,676	$23,055
2022	3,995	530	18,556	23,081
2023	7,510	527	18,431	26,468
2024	7,815	525	18,823	27,163
2025	8,125	514	18,903	27,542
2026 - 2030	45,880	2,490	90,250	138,620
2031 - 2035	37,615	2,326	82,579	122,520
2036 - 2040	37,090	2,215	64,698	104,003
2041 - 2045	282,590	1,974	9,912	294,476
2046 - 2048	402,790	482	1,104	404,376
Total	**$837,270**	**$12,102**	**$341,932**	**$1,191,304**

14. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

(in thousands of dollars)	SERVICE CONCESSION ARRANGEMENTS	NET PENSION LIABILITY	NET RETIREE HEALTH BENEFITS LIABILITY	DEBT REFUNDING	INTEREST RATE SWAP AGREEMENTS	ROYALTY SALES	IRREVOCABLE SPLIT-INTEREST AGREEMENTS	ASSET RETIREMENT OBLIGATIONS	ACQUISITIONS	TOTAL
At June 30, 2020										
Deferred outflows of resources		$6,969,977	$7,012,719	$285,541	$259,944			$87,599	$6,354	$14,622,134
Deferred inflows of resources	$243,271	239,553	6,282,427	1,292		$390,111	$94,721			7,251,375
At June 30, 2019										
Deferred outflows of resources		$6,271,978	$3,908,951	$316,136	$130,161			$73,996		$10,701,222
Deferred inflows of resources	$248,002	142,132	5,896,383	1,340		$437,968	$102,260			6,828,085

The campus foundations' deferred inflows of resources are primarily related to irrevocable split-interest agreements.

15. UNIVERSITY OF CALIFORNIA RETIREMENT PLANS

Most University employees participate in UCRS. UCRS consists of UCRP, a governmental defined benefit plan funded with University and employee contributions; UCRSP, which includes defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee nonelective and elective contributions and UC-VERIP, a defined benefit plan for University employees who were members of the California Public Employee's Retirement System (CalPERS) who elected early retirement. Other retirement plans include the Children's Hospital and Research Center at Oakland (CHRCO) Pension Plan, a defined benefit plan fully funded with CHRCO contributions and the Orange County Employee Retirement System (OCERS) retirement plan, a cost-sharing multiemployer defined benefit pension plan for former employees of an Orange County hospital center who chose to remain with OCERS at the time the hospital was acquired by the University. The Regents has the authority to establish and amend UCRS and administration authority with respect to the UCRS plans is vested with the President of the University as plan administrator. CHRCO administers the CHRCO Pension Plan as the Sponsor and plan assets are held by US Bank (the Trustee).

Condensed financial information related to each plan in UCRS and the changes in pension liability for UCRP, UC-VERIP and the CHRCO Pension Plan for the year ended June 30, 2020 is as follows:

	UNIVERSITY OF CALIFORNIA					
(in thousands of dollars)	UNIVERSITY OF CALIFORNIA RETIREMENT PLAN	UNIVERSITY OF CALIFORNIA UC-VERIP	SUBTOTAL	UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM	TOTAL	CHILDREN'S HOSPITAL & RESEARCH CENTER AT OAKLAND PENSION PLAN
CONDENSED STATEMENT OF PLAN FIDUCIARY NET POSITION						
Investments at fair value	$71,727,610	$62,607	$71,790,217	$25,488,065	$97,278,282	$501,482
Participants' interests in mutual funds				1,828,837	1,828,837	
Investment of cash collateral	4,618,841	4,036	4,622,877	2,965,803	7,588,680	
Other assets	2,256,036	1,510	2,257,546	569,957	2,827,503	
Total assets	**78,602,487**	**68,153**	**78,670,640**	**30,852,662**	**109,523,302**	**501,482**
Collateral held for securities lending	4,618,889	4,037	4,622,926	2,965,834	7,588,760	
Other liabilities	3,067,357	2,435	3,069,792	619,814	3,689,606	
Total liabilities	**7,686,246**	**6,472**	**7,692,718**	**3,585,648**	**11,278,366**	
Net position held in trust	**$70,916,241**	**$61,681**	**$70,977,922**	**$27,267,014**	**$98,244,936**	**$501,482**
CONDENSED STATEMENT OF CHANGES IN PLANS' FIDUCIARY NET POSITION						
Contributions	$3,463,327		$3,463,327	$1,643,791	$5,107,118	$31,200
Net appreciation (depreciation) in fair value of investments	70,297	($3)	70,294	908,078	978,372	
Investment and other income, net	1,114,641	1,052	1,115,693	473,853	1,589,546	(7,468)
Total additions	**4,648,265**	**1,049**	**4,649,314**	**3,025,722**	**7,675,036**	**23,732**
Benefit payment and participant withdrawals	3,944,998	4,142	3,949,140	1,531,954	5,481,094	17,262
Other deductions	65,989	4	65,993	5,811	71,804	3,598
Total deductions	**4,010,987**	**4,146**	**4,015,133**	**1,537,765**	**5,552,898**	**20,860**
Change in net position held in trust	**637,278**	**(3,097)**	**634,181**	**1,487,957**	**2,122,138**	**2,872**
Net position held in trust						
Beginning of year	70,278,963	64,778	70,343,741	25,779,057	96,122,798	498,610
End of year	**$70,916,241**	**$61,681**	**$70,977,922**	**$27,267,014**	**$98,244,936**	**$501,482**
CHANGES IN TOTAL PENSION LIABILITY						
Service cost	$2,466,497		$2,466,497			$12,648
Interest	5,981,599	$1,656	5,983,255			36,005
Difference between expected and actual experience	(282,321)	(1,342)	(283,663)			23,581
Changes of assumptions or other inputs						28,609
Benefits paid, including refunds of employee contributions	(3,944,998)	(4,142)	(3,949,140)			(17,262)
Net change in total pension liability	**4,220,777**	**(3,828)**	**4,216,949**			**83,581**
Total pension liability						
Beginning of year	88,404,608	27,945	88,432,553			510,335
End of year	**92,625,385**	**24,117**	**92,649,502**			**593,916**
Net pension liability (asset), end of year	**$21,709,144**	**($37,564)**	**$21,671,580**			**$92,434**

Additional information on the retirement plans can be obtained from the 2019-2020 annual reports of the University of California Retirement System which can be found at http://reportingtransparency.universityofcalifornia.edu/.

University of California Retirement Plan

UCRP provides lifetime retirement income, disability protection, death benefits, and postretirement and preretirement survivor benefits to eligible employees of the University, and its affiliates. Prior to July 1, 2016, membership in UCRP was required for all employees appointed to work at least 50 percent time for one year or more or for an indefinite period or for a definite period of a year or more. Effective July 1, 2016, certain employees were given a choice to participate in UCRP or select a defined contribution plan option. An employee may also become eligible by completing 1,000 hours within a 12-month period. Generally, five years of service are required for entitlement to UCRP plan benefits. The amount of pension benefit is determined under the basic formula of covered compensation times age factor times years of service credit. The maximum monthly benefit cannot exceed 100 percent of the employee's highest average plan compensation over a 36-month period, subject to certain limits imposed under the Internal Revenue Code or plan provisions. Annual cost-of-living adjustments (COLAs) are made to monthly benefits according to a specified formula based on the Consumer Price Index. Ad hoc COLAs may be granted subject to funding availability.

The University's membership in UCRP consisted of the following at June 30, 2020:

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	67,647	13,098	80,745
Inactive members entitled to, but not receiving benefits	90,464	8,692	99,156
Active members:			
Vested	78,786	1,769	80,555
Nonvested	53,643	755	54,398
Total active members	**132,429**	**2,524**	**134,953**
Total membership	**290,540**	**24,314**	**314,854**

Contributions

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

The Regents determines the portion of the total contribution to be made by the employer and by the employees, and employee contribution rates for represented employees are subject to collective bargaining. Effective July 1, 2014, employee contributions range from 7.0 percent to 9.0 percent. The University pays a uniform contribution rate of 14.0 percent of covered payroll on behalf of all UCRP members. The University contribution rate will be increased starting July 1, 2020 by 0.5 percent per year, on July 1st, for six years to 17.0 percent.

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.

Both current employees and retirees at LBNL participate in UCRP. The University makes contributions to UCRP for LBNL employees based upon rates authorized by The Regents and is reimbursed by the DOE. The University also makes contributions to UCRP for LANL and LLNL retirees and terminated vested members whose benefits were retained in UCRP at the time the joint ventures were formed. The contributions for the LANL and LLNL are actuarially determined based upon a contractual arrangement with the DOE that incorporates a formula targeted to maintain the LANL and LLNL segments within UCRP at a 100-percent funded level. The University is reimbursed by the DOE for these contributions. To the extent the University has recorded a net pension liability (and related deferred inflows and outflows of resources) that will be reimbursed under DOE contracts, a receivable from the DOE is recorded. As of June 30, 2020 and 2019, the University reported $1.0 billion and $911.5 million, respectively, as other noncurrent Department of Energy receivables for pension liabilities. Contributions of $137.7 million and $225.6 million were deposited into UCRP on behalf of the DOE for the years ended June 30, 2020 and 2019, respectively.

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)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
At June 30, 2020			
UCRP net position	$62,117,363	$8,798,878	$70,916,241
Total pension liability	82,502,226	10,123,159	92,625,385
Net pension liability	**$20,384,863**	**$1,324,281**	**$21,709,144**
At June 30, 2019			
UCRP net position	$61,056,391	$9,222,572	$70,278,963
Total pension liability	78,279,508	10,125,100	88,404,608
Net pension liability	**$17,223,117**	**$902,528**	**$18,125,645**

The net pension liability for UCRP was measured as of June 30 and was calculated using the plan net position valued as of the measurement date and total pension liability determined based upon rolling forward the total pension liability from the results of the actuarial valuations as of July 1, one year prior to the measurement date. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used as of June 30, 2020 were based on the results of the most recent experience study covering the period of July 1, 2014 through June 30, 2018. The net pension liability for UCRP was calculated using the following methods and assumptions:

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

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

The long-term expected investment rate of return assumption for UCRP was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset class:		
U.S. equity	27.6%	5.6%
Developed international equity	16.8	6.5
Emerging market equity	5.6	8.6
Core bonds	13.0	1.5
High-yield bonds	2.5	3.7
Treasury Inflation-Protected Securities	2.0	1.2
Emerging market debt	2.5	3.9
Private equity	10.0	9.2
Real estate	7.0	6.6
Absolute return	10.0	3.3
Real assets	3.0	5.6
Total	**100.0%**	**5.4%**

Discount Rate

The discount rate used to estimate the net pension liability as of June 30, 2020 and 2019 was 6.75 percent. To calculate the discount rate, cash flows into and out of UCRP were projected in order to determine whether UCRP has sufficient cash in future periods for projected benefit payments for current members. For this purpose, University, state and member contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected University contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. UCRP was projected to have assets sufficient to make projected benefit payments for current members for all future years as of June 30, 2020 and 2019.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the June 30, 2020 net pension liability of the University calculated using the June 30, 2020 discount rate assumption of 6.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	1% DECREASE (5.75%)	CURRENT DISCOUNT (6.75%)	1% INCREASE (7.75%)
UCRP	$34,168,932	$21,709,144	$11,433,511
UC-VERIP	(36,368)	(37,564)	(38,648)

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)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
At June 30, 2020					
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	$309,593		$309,593		$309,593
Changes of assumptions or other inputs	4,186,582		4,186,582		4,186,582
Net difference between projected and actual earnings on pension plan investments	2,087,946	$295,167	2,383,113	$1,997	2,385,110
Total	**$6,584,121**	**$295,167**	**$6,879,288**	**$1,997**	**$6,881,285**
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	$230,127		$230,127		$230,127
Total	**$230,127**		**$230,127**		**$230,127**

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
At June 30, 2019					
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	$451,810		$451,810		$451,810
Changes of assumptions or other inputs	5,796,896		5,796,896		5,796,896
Total	**$6,248,706**		**$6,248,706**		**$6,248,706**
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	$7,617		$7,617		$7,617
Net difference between projected and actual earnings on pension plan investments	114,396	$8,955	123,351	$109	123,460
Total	**$122,013**	**$8,955**	**$130,968**	**$109**	**$131,077**

The net amount of deferred outflows of resources and deferred inflows of resources as of June 30, 2020 related to pensions that will be recognized in pension expense during the next four years are as follows:

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
2021	$1,574,197	($7,016)	$1,567,181	($148)	$1,567,033
2022	2,217,204	99,971	2,317,175	701	2,317,876
2023	1,998,553	112,380	2,110,933	808	2,111,741
2024	564,040	89,832	653,872	636	654,508
Total	**$6,353,994**	**$295,167**	**$6,649,161**	**$1,997**	**$6,651,158**

Defined Contribution Plan (DC Plan)

Effective July 1, 2016, newly hired (or becoming eligible) employees can elect a defined contribution option instead of participating in UCRP. For employees who elect this option, both the University and the participants make mandatory contributions, on a pretax basis, on eligible pay up to the IRC compensation limit. The participant contributes 7.0 percent and the University contributes 8.0 percent. University contributions are fully vested after one year of service. For employees who elect to participate in UCRP and who are subject to the California Public Employees' Pension Reform Act (PEPRA) maximum, both the University and the participants make mandatory DC Plan retirement contributions on a pretax basis. For designated faculty, the University contributes 5.0 percent to the DC Plan on all eligible pay up to the IRC compensation limit. For staff, the University contributes 3.0 percent to the DC Plan on eligible pay above the PEPRA maximum up to the IRC compensation limit. Both designated faculty and staff contribute 7.0 percent on eligible pay above the PEPRA maximum up to the IRC compensation limit. The University may also contribute on behalf of eligible senior managers. Employer contributions to the DC Plan were $76.3 million and $48.5 million for the years ended June 30, 2020 and 2019, respectively.

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

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

The Supplemental Defined Contribution Plan (SDC Plan) accepts employer contributions in behalf of certain designated employees. Employer contributions are fully vested and there is no provision for employee contributions. There were no participants, assets or employer contributions to the SDC Plan for the years ended June 30, 2020 and 2019.

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

Tax Deferred 403(b) Plan

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

The University also makes 403(b) Plan retirement contributions on the summer or equivalent term salaries of eligible academic employees who teach, conduct research or provide administrative service during the summer session or an equivalent term. To be eligible, employees must hold academic year appointments and be active members of UCRP or another defined benefit plan to which the University contributes, be a Savings Choice participant, or be eligible for a primary retirement benefit option under the Retirement Choice Program even if not yet participating. The contribution rate is 7.0 percent of eligible salary, of which 3.5 percent is University-paid and 3.5 percent is employee-paid, both on a pretax basis. The University may also make contributions on behalf of eligible senior managers. Employer contributions to the 403(b) Plan were $9.1 million and $8.0 million for the years ended June 30, 2020 and 2019.

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

457(b) Deferred Compensation Plan

The University's 457(b) Deferred Compensation Plan (457(b) Plan) accepts pretax employee contributions. There were no employer contributions to the 457(b) Plan for the years ended June 30, 2020 and 2019.

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

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

University of California Voluntary Early Retirement Incentive Program

UC-VERIP is a defined benefit pension plan providing lifetime supplemental retirement income and survivor benefits to UC–VERIP members who elected early retirement under CalPERS. As of July 1, 2020, there are 422 retirees or beneficiaries receiving benefits under this voluntary early retirement program.

The University and the DOE laboratories previously made contributions to the UC-VERIP, sufficient to maintain the promised benefits. The actuarially determined contributions are zero for the years ended June 30, 2020 and 2019.

Children's Hospital and Research Center at Oakland Pension Plan

CHRCO has a noncontributory defined benefit plan subject to the single employer defined benefit under ERISA rules that covers active and retired employees. The CHRCO Pension Plan was amended effective January 1, 2012 to exclude unrepresented employees hired or rehired on or after January 1, 2012. The CHRCO Pension Plan provides retirement, disability and death benefits to plan participants. Benefits are based on a participant's length of service, age at retirement and average compensation as defined by the CHRCO Pension Plan.

The net pension liability for the CHRCO Pension Plan was calculated based upon the following assumptions as of June 30, 2020: 2.8 percent inflation, 6.5 percent investment rate of return, Represented employees: 4.0 percent for 2020 through 2022, 3.75 percent from 2023 and after; Unrepresented employees: 2.0 percent for 2021, 3.0 percent for 2022 and 3.75 percent for 2023 and after projected salary increases and no cost-of-living adjustments. CHRCO recognized pension expense of $43.3 million at June 30, 2020 and $27.1 million at June 30, 2019.

The actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on the results of an experience review conducted during 2019. In 2020, the mortality rates were based on the Pri-2012 Mortality Table with fully generational projected mortality improvements using Scale MP-2019. In 2019, the mortality rates used on the valuation were based on the RP-2014 mortality (base year 2006) with fully generational projected mortality improvements using projection scale MP-2018.

Additional information on the CHRCO Pension Plan can be found in the annual reports, which can be obtained by writing to Children's Hospital Oakland, Finance Department, 747 52nd Street, Oakland, California 94609.

Membership in the CHRCO Pension Plan consisted of the following at June 30, 2020:

Retirees and beneficiaries receiving benefits	1,116
Inactive members entitled to, but not yet receiving benefits	1,140
Active members	2,013
Total membership	**4,269**

Contributions

Employer contributions are determined under IRC Section 430. Employees are not required or permitted to contribute to the CHRCO Pension Plan.

Net Pension Liability

The net pension liability for CHRCO was measured as of June 30 and the total pension liability was determined by an actuarial valuation as of January 1, rolled forward to June 30. The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class for the CHRCO Pension Plan are as follows:

	PORTFOLIO PERCENTAGE	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset class		
Domestic equity	50.0%	4.2%
Developed international equity	15.0	4.3
Emerging market equity	2.5	5.6
Core fixed income	32.5	1.1
Total	**100.0%**	

Discount Rate

The discount rate used to estimate the net pension liability was 6.5 percent and 7.0 percent for June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumes that CHRCO will make contributions to the CHRCO Pension Plan under IRC Section 430's minimum requirements for a period of thirteen years, and that all future assumptions are met. Based on these assumptions, the pension plan's fiduciary net position is projected to be available to make all projected future benefit payments for current active and inactive employees.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the June 30, 2020 net pension liability calculated using the June 30, 2020 discount rate assumption of 6.5 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 (5.5%)	CURRENT DISCOUNT (6.5%)	1% INCREASE (7.5%)
Net pension liability	$176,527	$92,434	$23,163

Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, deferred outflows of resources and deferred inflows of resources were as follows:

(in thousands of dollars)	2020	2019
DEFERRED OUTFLOWS OF RESOURCES		
Difference between expected and actual experience	$25,865	$8,106
Changes of benefit terms	58	94
Changes of assumptions	27,536	9,550
Net difference between projected and actual earnings on pension plan investments	33,625	2,506
Total	**$87,084**	**$20,256**
DEFERRED INFLOWS OF RESOURCES		
Difference between expected and actual experience	$389	$1,050
Changes of assumptions	6,446	7,993
Total	**$6,835**	**$9,043**

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense during the next five years is as follows:

(in thousands of dollars)	
Year Ending June 30	
2021	$17,684
2022	17,689
2023	17,963
2024	16,091
2025	7,958
Thereafter	2,864
Total	**$80,249**

Orange County Employees Retirement System (OCERS)

OCERS administers a cost-sharing, multiemployer defined benefit pension plan for the County of Orange, City of San Juan Capistrano and thirteen special districts. Certain employees of one of the University's medical centers were eligible to continue to participate in OCERS at the time the county hospital was acquired by the University.

OCERS provides retirement, disability and death benefits. Retirement benefits are tiered based upon date of OCERS membership. Participation in OCERS for the University's employees is closed. The University's share of net pension liability, deferred inflows of resources, deferred outflows of resources and pension expense have been determined based upon its specific actuarial accrued liability and a share of assets allocated in accordance with a formula set forth in OCERS' policy. The fiduciary net position and changes in net position have been measured consistent with the accounting policies used by OCERS. Pursuant to an agreement between the University and the County of Orange (OC), the University and OC will equally split the contributions and net pension liability.
The amounts reported in the financial statements reflect the University's share of the net pension liability, deferred inflows and outflows and pension expense.

Additional information on OCERS can be obtained from the 2019-2020 annual reports of the Orange County Employees Retirement System at http://www.ocers.org.

Membership in OCERS consisted of the following at December 31, 2019: 18,420 retired members and beneficiaries, 6,520 inactive members and 22,257 active members.

Contributions

Contribution rates are set by the OCERS Board of Retirement.

Net Pension Liability

The University's proportionate share of the OCERS net pension liability was $15.1 million and $17.4 million as of June 30, 2020 and 2019, respectively. The net pension liability for OCERS was measured as of June 30, 2020 and 2019, and the total pension liability was determined by an actuarial valuation as of December 31, 2019 and 2018 rolled forward to June 30, 2020 and 2019, respectively. The actuarial assumptions used in 2020 and 2019 were based on the results of an experience study for the period from January 1, 2014 through December 31, 2016.

The net pension liability for OCERS was calculated based upon the following assumptions as of June 30, 2020 and 2019: 2.8 percent inflation, 7.0 percent investment rate of return, 4.25-12.25 percent projected salary increases for general members and 3.0 percent cost-of-living adjustments.

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

	ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM	
	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset class:		
Global equity	35.0%	6.4%
Core bonds	13.0	1.0
High-yield bonds	4.0	3.5
Bank loan	2.0	2.9
Treasury Inflation-Protected Securities	4.0	1.0
Emerging market debt	4.0	3.8
Real estate	10.0	4.3
Core infrastructure	2.0	5.5
Natural resources	10.0	7.9
Risk mitigation	5.0	4.7
Mezzanine/distressed debts	3.0	6.5
Private equity	8.0	9.5
Total	**100.0%**	

Discount Rate

The discount rate used to estimate the net pension liability was 7.0 percent for June 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rate. For this purpose, only employer contributions will be made at rates equal to the actuarially determined contribution rates.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability calculated using the June 30, 2020 discount rate assumption of 7.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

	ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM		
(in thousands of dollars)	1% DECREASE (6.0%)	CURRENT DISCOUNT RATE (7.0%)	1% INCREASE (8.0%)
Net pension liability	$22,793	$15,107	$8,855

Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, deferred outflows of resources and deferred inflows of resources were as follows:

(in thousands of dollars)	**2020**	**2019**
DEFERRED OUTFLOWS OF RESOURCES		
Changes of assumptions or other inputs	$713	$949
Difference between expected and actual experience	895	542
Net difference between projected and actual earnings on pension plan investments		1,525
Total	**$1,608**	**$3,016**
DEFERRED INFLOWS OF RESOURCES		
Difference between expected and actual experience	$1,216	$1,751
Changes of assumptions or other inputs	40	261
Net difference between projected and actual earnings on pension plan investments	1,335	
Total	**$2,591**	**$2,012**

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense during the next five years is as follows:

(in thousands of dollars)	
Year Ending June 30	
2021	($504)
2022	(368)
2023	192
2024	(397)
2025	93
Total	**($984)**

16. RETIREE HEALTH BENEFIT COSTS AND OBLIGATIONS

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees (and their eligible family members) of the University of California and its affiliates through the University of California Retiree Health Benefit Program. The Regents has the authority to establish and amend the program. While retiree health benefits are not a legal obligation of the University and can be canceled or modified at any time, accounting standards require the University to recognize a net retiree health benefits liability based on the current practices of providing retiree health benefits.

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

LBNL participates in the University's Retiree Health Benefits Program. LBNL does not participate in UCRHBT; therefore, the DOE has no interest in the Trust's assets. The University directly pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees who previously worked at LBNL, and is reimbursed by the DOE. To the extent the University has recorded a net retiree health benefits liability (and related deferred inflows and outflows of resources) that will be reimbursed under DOE contracts, a receivable from the DOE is recorded. The University recorded receivables from the DOE of $691.0 million and $667.6 million for 2020 and 2019, respectively, representing the DOE's share of the net retiree health benefits liability.

Condensed financial information for the changes in retiree health benefits liability for the year ended June 30, 2020 is as follows:

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Contributions	$527,421	$21,354	$548,775
Investment income, net	2,281		2,281
Total additions	**529,702**	**21,354**	**551,056**
Insurance premiums, net	(525,262)	(21,354)	(546,616)
Other deductions	(4,531)		(4,531)
Total deductions	**(529,793)**	**($21,354)**	**(551,147)**
Increase in net position held in UCRHBT	(91)		(91)
Net position held in UCRHBT, beginning of year	156,909		156,909
Net position held in UCRHBT, end of year	**$156,818**		**$156,818**

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
CHANGES IN TOTAL RETIREE HEALTH BENEFITS LIABILITY			
Service cost	$893,557	$18,510	$912,067
Interest	702,640	21,944	724,584
Difference between expected and actual experience	(1,474,623)	(64,516)	(1,539,139)
Changes of assumptions and other inputs	4,222,620	131,413	4,354,033
Benefits paid	(525,262)	(21,354)	(546,616)
Retiree contributions	83,111	3,055	86,166
Net change in total retiree health benefits liability	**3,902,043**	**89,052**	**3,991,095**
Total retiree health benefits liability			
Beginning of year	19,401,053	617,542	20,018,595
End of year	**23,303,096**	**706,594**	**24,009,690**
Net retiree health benefits liability, end of year	**$23,146,278**	**$706,594**	**$23,852,872**

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 five years of service. Retirees employed by the University after 1989 and prior to July 1, 2013 become eligible for a percentage of the University's contribution starting at 50 percent of the maximum University contribution with 10 years of service or if age plus years of service equal at least 75 and increasing to 100 percent after 20 years of service. Retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University's contribution based on age and years of service. Retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service. Retirees pay the excess, if any, of the premium over the applicable portion of the University's contribution.

Membership in a defined benefit plan to which the University contributes or participation in the DC Plan as a result of a Savings Choice election is required to become eligible for retiree health benefits. Participation in the Retiree Health Benefit Program plans consisted of the following at June 30, 2020:

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

Contributions

The University does not pre-fund retiree health benefits and instead provides for benefits based upon projected pay-as-you-go financing. University and retiree contributions toward premiums made under purchased plan arrangements are determined by applying the health plan contract rates across the number of participants in the respective plans. Premium rates for the self-insured plan contributions are set by the University based upon a trend analysis of the historic cost, utilization, demographics and administrative expenses to provide for the claims incurred and the actuarially determined level of incurred but not reported liability. The assessment rates were $2.60 and $2.70 per $100 of UCRP covered payroll effective July 1, 2019 and 2018, respectively.

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

Net Retiree Health Benefits Liability

The University's net retiree health benefits liability was measured as of June 30 based on rolling forward the results of the actuarial valuations as of July 1, one year prior to the measurement date. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. Significant actuarial methods and assumptions used to calculate the University's net retiree health benefits liability were:

(shown as percentage)	**2020**	**2019**
Discount rate	2.21%	3.5%
Inflation	2.5	2.5
Investment rate of return	2.5	2.5
Projected salary increases	3.65 - 5.95	3.65 - 5.95
Health care cost trend rates	Initially ranges from 2.7 to 9.0 decreasing to an ultimate rate of 4.0 for 2076 and later years.	Initially ranges from 4.4 to 9.4 decreasing to an ultimate rate of 4.0 for 2077 and later years.

Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used as of June 30, 2020 and 2019 were based upon the results of the most recent experience study covering the period of July 1, 2014 through June 30, 2018. For preretirement mortality rates, the Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table were used. For postretirement, healthy mortality rates were based on the Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table and multiplied by 90 percent for faculty members or 115 percent and 110 percent for other male and female members, respectively. For beneficiaries of retired members, rates were based on the Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table. For disabled members, rates were based on the Pub-2010 Non-Safety Disabled Retiree-Headcount Weighted Mortality Table. All mortality rates are projected generationally with the two-dimensional mortality improvement scale MP-2018.

Sensitivity of Net Retiree Health Benefits Liability to the Health Care Cost Trend Rate

The following presents the June 30, 2020 net retiree health benefits liability of the University calculated using the June 30, 2020 health care cost trend rate assumption with initial trend ranging from 2.7 percent to 9.0 percent grading down to an ultimate trend of 4.0 percent over 56 years, as well as what the net retiree health benefits liability would be if it were calculated using a health care cost trend rate different than the current assumption:

(in thousands of dollars)	**1% DECREASE (1.7% to 8.0%) DECREASING TO (3.0%)**	**CURRENT TREND (2.7% to 9.0%) DECREASING TO (4.0%)**	**1% INCREASE (3.7% to 10.0%) DECREASING TO (5.0%)**
Net retiree health benefits liability	$19,341,499	$23,852,872	$29,944,364

Discount Rate

The discount rate used to estimate the net retiree health benefits liability as of June 30, 2020 and 2019 was 2.21 percent and 3.5 percent, respectively. The discount rate was based on the Bond Buyer 20-year tax-exempt general obligations municipal bond index rate since UCHRBT assets are not sufficient to make benefit payments.

Sensitivity of Net Retiree Health Benefits Liability to the Discount Rate Assumption

The following presents the June 30, 2020 net retiree health benefits liability of the University calculated using the June 30, 2020 discount rate assumption of 2.21 percent, as well as what the net retiree health benefits liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	1% DECREASE (1.21%)	CURRENT DISCOUNT (2.21%)	1% INCREASE (3.21%)
Net retiree health benefits liability	$28,898,159	$23,852,872	$19,928,906

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:

(in thousands of dollars)

2020	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
DEFERRED OUTFLOWS OF RESOURCES			
Difference between expected and actual experience	$54,286	$2,258	$56,544
Changes of assumptions or other inputs	6,779,937	173,090	6,953,027
Net difference between projected and actual earnings on plan investments	3,148		3,148
Total	**$6,837,371**	**$175,348**	**$7,012,719**
DEFERRED INFLOWS OF RESOURCES			
Difference between expected and actual experience	$3,785,361	$114,261	$3,899,622
Changes of assumptions or other inputs	2,337,297	45,508	2,382,805
Total	**$6,122,658**	**$159,769**	**$6,282,427**

(in thousands of dollars)

2019	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
DEFERRED OUTFLOWS OF RESOURCES			
Difference between expected and actual experience	$64,528	$3,200	$67,728
Changes of assumptions or other inputs	3,743,309	94,691	3,838,000
Net difference between projected and actual earnings on plan investments	3,223		3,223
Total	**$3,811,060**	**$97,891**	**$3,908,951**
DEFERRED INFLOWS OF RESOURCES			
Difference between expected and actual experience	$2,969,290	$83,537	$3,052,827
Changes of assumptions or other inputs	2,779,110	64,446	2,843,556
Total	**$5,748,400**	**$147,983**	**$5,896,383**

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

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
2021	$97,216	$1,226	$98,442
2022	96,800	(3,635)	93,165
2023	96,415	(563)	95,852
2024	(21,956)	10,334	(11,622)
2025	(196,568)	8,217	(188,351)
Thereafter	642,806		642,806
Total	**$714,713**	**$15,579**	**$730,292**

17. ENDOWMENTS AND GIFTS

Endowments and gifts are held and administered either by the University or by the campus foundations.

University of California

The value of endowments and gifts held and administered by the University, exclusive of income distributed to be used for operating purposes, at June 30, 2020 and 2019 is as follows:

	UNIVERSITY OF CALIFORNIA			
(in thousands of dollars)	RESTRICTED NONEXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2020				
Endowments	$1,216,561	$3,385,307	$6,555	$4,608,423
Funds functioning as endowments		2,846,964	5,424,945	8,271,909
Gifts		2,097,673	12,348	2,110,021
University endowments and gifts	**$1,216,561**	**$8,329,944**	**$5,443,848**	**$14,990,353**
At June 30, 2019				
Endowments	$1,176,981	$3,308,042	$6,291	$4,491,314
Funds functioning as endowments		2,802,208	5,170,260	7,972,468
Gifts		1,819,515	15,244	1,834,759
University endowments and gifts	**$1,176,981**	**$7,929,765**	**$5,191,795**	**$14,298,541**

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. The net appreciation available to meet future spending needs is subject to the approval of The Regents and amounted to $2.8 billion and $2.7 billion at June 30, 2020 and 2019, respectively.

The portion of investment returns earned on endowments held by the University and distributed at the end of each year to support current operations for the following year is based upon a rate that is approved by The Regents. The annual income distribution transferred to the campuses from endowments held by the University was $372.8 million and $352.7 million for the years ended June 30, 2020 and 2019, respectively. The portion of this annual income distribution from accumulated capital gains, in addition to the dividend and interest income earned during the year, was $0.4 million and $350.0 million for the years ended June 30, 2020 and 2019, respectively. Accumulated endowment income available for spending in the future, including the annual income distribution, was $0.8 million and $729.9 million at June 30, 2020 and 2019, respectively.

Campus Foundations

The value of endowments and gifts held by the campus foundations and administered by each of their independent Board of Trustees at June 30 are as follows:

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS			
(in thousands of dollars)	RESTRICTED NONEXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2020				
Endowments	$5,326,577	$1,411,207		$6,737,784
Funds functioning as endowments		2,107,090		2,107,090
Gifts		1,587,487	$656,950	2,244,437
Campus foundations' endowments and gifts	**$5,326,577**	**$5,105,784**	**$656,950**	**$11,089,311**
At June 30, 2019				
Endowments	$4,885,413	$1,523,428		$6,408,841
Funds functioning as endowments		1,918,902		1,918,902
Gifts		1,575,430	$538,714	2,114,144
Campus foundations' endowments and gifts	**$4,885,413**	**$5,017,760**	**$538,714**	**$10,441,887**

18. SEGMENT INFORMATION

The University's medical centers' and CHRCO's 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 related to each of the University's medical centers for the year ended June 30, 2020 is as follows:

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS				
(in thousands of dollars)	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO
Year Ended June 30, 2020					
Revenue bonds outstanding	$657,361	$544,825	$1,147,213	$1,019,552	$1,303,044
Related debt service payments	30,796	21,390	46,127	42,836	57,240
Bonds due serially through	2120	2120	2120	2120	2120
CONDENSED STATEMENT OF NET POSITION					
Current assets	$1,811,316	$924,985	$2,380,916	$959,161	$2,358,746
Capital assets, net	1,174,837	745,376	1,623,613	1,558,228	2,491,244
Other assets	487,297	238,561	599,181	358,215	762,514
Total assets	**3,473,450**	**1,908,922**	**4,603,710**	**2,875,604**	**5,612,504**
Total deferred outflows of resources	**959,487**	**449,931**	**1,102,277**	**941,717**	**1,897,311**
Current liabilities	779,784	416,901	789,137	520,446	1,059,403
Long-term debt	681,331	557,852	1,312,029	1,087,904	1,299,005
Other noncurrent liabilities	3,279,454	1,521,956	3,514,655	2,614,058	5,108,203
Total liabilities	**4,740,569**	**2,496,709**	**5,615,821**	**4,222,408**	**7,466,611**
Total deferred inflows of resources	**438,464**	**237,222**	**576,245**	**327,462**	**698,973**
Net investment in capital assets	824,936	415,048	736,002	779,658	1,572,954
Restricted	8,112	5,247	24,384	346	121,533
Unrestricted	(1,579,144)	(795,373)	(1,246,465)	(1,512,553)	(2,350,256)
Total net position	**($746,096)**	**($375,078)**	**($486,079)**	**($732,549)**	**($655,769)**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION					
Operating revenues	$2,512,365	$1,352,915	$3,008,242	$2,343,867	$5,072,342
Operating expenses	(2,587,081)	(1,351,489)	(2,824,803)	(2,364,157)	(5,356,885)
Depreciation expense	(94,562)	(86,344)	(148,411)	(103,264)	(203,299)
Operating income (loss)	**(169,278)**	**(84,918)**	**35,028**	**(123,554)**	**(487,842)**
Nonoperating revenues (expenses), net	64,998	28,376	90,553	58,592	200,945
Income (loss) before other changes in net position	**(104,280)**	**(56,542)**	**125,581**	**(64,962)**	**(286,897)**
Health systems support	(7,824)	(126,806)	(282,396)	(330,230)	(121,192)
Transfers (to) from University, net	(24,488)	40,876		(10,126)	
Changes in allocation for pension payable to University	12,839	1,699	18,180	869	830
Other, including donated assets	834	941	5,241	12,505	54,364
Decrease in net position	**(122,919)**	**(139,832)**	**(133,394)**	**(391,944)**	**(352,895)**
Net position - beginning of year	(623,177)	(235,246)	(352,685)	(340,605)	(302,874)
Net position - end of year	**($746,096)**	**($375,078)**	**($486,079)**	**($732,549)**	**($655,769)**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	$494,472	$335,961	$776,774	$493,886	$600,550
Noncapital financing activities	71,296	(56,461)	(179,422)	(244,517)	96,812
Capital and related financing activities	206,065	148,359	313,628	232,781	124,711
Investing activities	(244,841)	(219,729)	(429,559)	(323,358)	(410,432)
Net increase in cash and cash equivalents	**526,992**	**208,130**	**481,421**	**158,792**	**411,641**
Cash and cash equivalents* - beginning of year	819,285	455,229	1,114,849	341,255	946,580
Cash and cash equivalents* – end of year	**$1,346,277**	**$663,359**	**$1,596,270**	**$500,047**	**$1,358,221**

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

Condensed financial statement information related to each of the University's medical centers for the year ended June 30, 2019 is as follows:

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS				
(in thousands of dollars)	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO
Year Ended June 30, 2019					
Revenue bonds outstanding	$301,785	$315,320	$704,990	$694,035	$906,245
Related debt service payments	31,187	18,209	43,460	42,844	56,641
Bonds due serially through	2048	2049	2049	2049	2049
CONDENSED STATEMENT OF NET POSITION					
Current assets	$1,356,413	$731,126	$1,901,162	$794,978	$1,896,612
Capital assets, net	1,115,955	766,783	1,671,098	1,609,016	2,427,895
Other assets	119,465	9,348	140,421	27,191	334,053
Total assets	**2,591,833**	**1,507,257**	**3,712,681**	**2,431,185**	**4,658,560**
Total deferred outflows of resources	**746,421**	**312,113**	**858,937**	**701,535**	**1,352,434**
Current liabilities	457,064	237,264	503,481	295,493	708,871
Long-term debt	320,819	329,673	876,922	771,188	917,096
Other noncurrent liabilities	2,774,731	1,261,246	2,996,536	2,122,303	4,070,505
Total liabilities	**3,552,614**	**1,828,183**	**4,376,939**	**3,188,984**	**5,696,472**
Total deferred inflows of resources	**408,817**	**226,433**	**547,364**	**284,341**	**617,396**
Net investment in capital assets	766,483	431,447	762,330	813,976	1,505,229
Restricted	13,283	9,348	24,776		97,383
Unrestricted	(1,402,943)	(676,041)	(1,139,791)	(1,154,581)	(1,905,486)
Total net position	**($623,177)**	**($235,246)**	**($352,685)**	**($340,605)**	**($302,874)**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION					
Operating revenues	$2,329,290	$1,278,934	$2,858,931	$2,067,448	$4,819,214
Operating expenses	(2,267,844)	(1,119,677)	(2,538,061)	(2,054,330)	(4,746,178)
Depreciation expense	(84,354)	(84,675)	(152,840)	(102,640)	(212,222)
Operating income (loss)	**(22,908)**	**74,582**	**168,030**	**(89,522)**	**(139,186)**
Nonoperating revenues (expenses), net	16,360	(9,519)	17,603	(27,678)	44,172
Income (loss) before other changes in net position	**(6,548)**	**65,063**	**185,633**	**(117,200)**	**(95,014)**
Health systems support	(29,033)	(85,051)	(218,228)	(127,684)	(146,232)
Transfers (to) from University, net	(22,611)	39,622		(9,005)	
Changes in allocation for pension payable to University	(3,651)	(2,767)	3,866	(5,486)	(14,359)
Other, including donated assets	2,164	8,937	14,268	9,542	127,498
Increase (decrease) in net position	**(59,679)**	**25,804**	**(14,461)**	**(249,833)**	**(128,107)**
Net position - beginning of year	(563,498)	(261,050)	(338,224)	(90,772)	(174,767)
Net position - end of year	**($623,177)**	**($235,246)**	**($352,685)**	**($340,605)**	**($302,874)**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	$320,161	$237,729	$541,026	$274,655	$431,764
Noncapital financing activities	(42,723)	(43,178)	(212,664)	(132,833)	(105,869)
Capital and related financing activities	(157,342)	(99,024)	(166,534)	(98,788)	(176,740)
Investing activities	(41,970)	27,858	9,091	4,673	(25,986)
Net increase in cash and cash equivalents	**78,126**	**123,385**	**170,919**	**47,707**	**123,169**
Cash and cash equivalents* - beginning of year	741,159	331,844	943,930	293,548	823,411
Cash and cash equivalents* – end of year	**$819,285**	**$455,229**	**$1,114,849**	**$341,255**	**$946,580**

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

Summarized financial information for each medical center is from the medical centers' audited financial statements. Certain revenue, such as financial support from the state for clinical teaching programs, is classified as state educational appropriations rather than medical center revenue in the University'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.

19. BLENDED COMPONENT UNIT INFORMATION

Condensed financial statement information related to certain of the University's blended component units for the year ended June 30, 2020 is as follows:

(in thousands of dollars)	FIAT LUX	CHRCO	RESEARCH	HOUSING
CONDENSED STATEMENTS OF NET POSITION				
Current assets	$1,234,201	$317,765	$99,406	$411,466
Capital assets, net		364,001	189,570	962,025
Other assets	212,981	301,211	232,124	234,083
Total assets	**1,447,182**	**982,977**	**521,100**	**1,607,574**
Total deferred outflows of resources		**87,084**	**5,525**	
Current liabilities	333,212	213,682	25,519	179,804
Other noncurrent liabilities	927,751	223,612	458,907	1,467,570
Total liabilities	**1,260,963**	**437,294**	**484,426**	**1,647,374**
Total deferred inflows of resources		**24,443**		
Net investment in capital assets		262,021	37,081	
Restricted		87,359		
Unrestricted	186,219	258,944	5,118	(39,800)
Total net position	**$186,219**	**$608,324**	**$42,199**	**($39,800)**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	$395,891	$626,379	$16,402	$100,385
Operating expenses	(405,529)	(633,605)	(3,732)	(44,276)
Depreciation expense		(41,049)	(2,837)	(21,715)
Operating income (loss)	**(9,638)**	**(48,275)**	**9,833**	**34,394**
Nonoperating revenues (expenses), net	3,539	38,202	(14,545)	(47,230)
Loss before other changes in net position	**(6,099)**	**(10,073)**	**(4,712)**	**(12,836)**
Other, including donated assets		8,321		
Decrease in net position	**(6,099)**	**(1,752)**	**(4,712)**	**(12,836)**
Net position – beginning of year	192,318	610,076	46,911	(26,964)
Net position – end of year	**$186,219**	**$608,324**	**$42,199**	**($39,800)**
CONDENSED STATEMENT OF CASH FLOWS				
Net cash provided (used) by:				
Operating activities	$75,496	$22,448	$14,765	$102,888
Noncapital financing activities		34,548		
Capital and related financing activities		(70,438)	(60,155)	(191,358)
Investing activities	(44,158)	1,411	2,636	93,955
Net increase (decrease) in cash and cash equivalents	**31,338**	**(12,031)**	**(42,754)**	**5,485**
Cash and cash equivalents – beginning of year	14,532	160,547	157,456	38,953
Cash and cash equivalents – end of year	**$45,870**	**$148,516**	**$114,702**	**$44,438**

Condensed financial statement information related to certain of the University's blended component units for the year ended June 30, 2019 is as follows:

(in thousands of dollars)	FIAT LUX	CHRCO	RESEARCH	HOUSING
CONDENSED STATEMENTS OF NET POSITION				
Current assets	$296,425	$328,387	$54,824	$597,182
Capital assets, net		330,502	147,469	522,928
Other assets	912,625	296,882	318,340	187,781
Total assets	**1,209,050**	**955,771**	**520,633**	**1,307,891**
Total deferred outflows of resources		**20,256**	**5,801**	
Current liabilities	264,370	197,066	10,234	55,924
Other noncurrent liabilities	752,362	143,891	469,289	1,278,931
Total liabilities	**1,016,732**	**340,957**	**479,523**	**1,334,855**
Total deferred inflows of resources		**24,994**		
Net investment in capital assets		227,984	37,441	25,232
Restricted		83,004	4,631	(9,188)
Unrestricted	192,318	299,088	4,839	(43,008)
Total net position	**$192,318**	**$610,076**	**$46,911**	**($26,964)**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	$275,675	$653,675	$14,893	$90,917
Operating expenses	(258,705)	(619,035)	(3,128)	(42,277)
Depreciation expense		(35,887)	(2,582)	(15,104)
Operating income (loss)	**16,970**	**(1,247)**	**9,183**	**33,536**
Nonoperating revenues (expenses), net	53,966	44,063	(6,366)	(18,190)
Income before other changes in net position	**70,936**	**42,816**	**2,817**	**15,346**
Other, including donated assets		4,730		
Increase in net position	**70,936**	**47,546**	**2,817**	**15,346**
Net position – beginning of year	121,382	562,530	44,094	(42,310)
Net position – end of year	**$192,318**	**$610,076**	**$46,911**	**($26,964)**
CONDENSED STATEMENT OF CASH FLOWS				
Net cash provided (used) by:				
Operating activities	$85,369	$48,781	$11,183	$100,284
Noncapital financing activities		31,735		
Capital and related financing activities		(48,572)	(46,477)	671,932
Investing activities	(138,034)	(12,945)	328	(750,496)
Net change in cash and cash equivalents	**(52,665)**	**18,999**	**(34,966)**	**21,720**
Cash and cash equivalents – beginning of year	67,197	141,548	192,422	17,233
Cash and cash equivalents – end of year	**$14,532**	**$160,547**	**$157,456**	**$38,953**

CHRCO's other assets include investments in the UCSF Foundation's Endowed Investment Pool of $245.2 million and $243.2 million at June 30, 2020 and 2019.

Additional information on the blended component units can be found in their separately issued audited financial statements.

20. CAMPUS FOUNDATIONS INFORMATION

Under University policies approved by The Regents, each individual campus may establish a separate foundation 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.

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

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS					
(in thousands of dollars)	BERKELEY	SAN FRANCISCO	LOS ANGELES	SAN DIEGO	ALL OTHER	TOTAL
CONDENSED STATEMENT OF NET POSITION						
Current assets	$122,287	$353,452	$706,131	$128,275	$220,508	$1,530,653
Noncurrent assets	2,358,308	2,206,176	3,320,379	1,046,821	1,760,039	10,691,723
Total assets	**2,480,595**	**2,559,628**	**4,026,510**	**1,175,096**	**1,980,547**	**12,222,376**
Current liabilities	10,731	84,742	302,602	37,182	49,918	485,175
Noncurrent liabilities	74,678	294,846	32,975	8,300	24,572	435,371
Total liabilities	**85,409**	**379,588**	**335,577**	**45,482**	**74,490**	**920,546**
Total deferred inflows of resources	**60,533**	**28,888**	**47,609**	**56,059**	**19,430**	**212,519**
Restricted	2,327,327	2,150,776	3,033,426	1,048,790	1,872,042	10,432,361
Unrestricted	7,326	376	609,898	24,765	14,585	656,950
Total net position	**$2,334,653**	**$2,151,152**	**$3,643,324**	**$1,073,555**	**$1,886,627**	**$11,089,311**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION						
Operating revenues	$205,477	$452,200	$414,044	$100,417	$131,201	$1,303,339
Operating expenses	(257,186)	(411,663)	(348,877)	(156,585)	(155,638)	(1,329,949)
Operating income (loss)	**(51,709)**	**40,537**	**65,167**	**(56,168)**	**(24,437)**	**(26,610)**
Nonoperating revenues	42,782	86,576	21,612	49,002	31,237	231,209
Income (loss) before other changes in net position	**(8,927)**	**127,113**	**86,779**	**(7,166)**	**6,800**	**204,599**
Permanent endowments	63,993	68,438	144,525	42,897	122,972	442,825
Increase in net position	**55,066**	**195,551**	**231,304**	**35,731**	**129,772**	**647,424**
Net position – beginning of year	2,279,587	1,955,601	3,412,020	1,037,824	1,756,855	10,441,887
Net position – end of year	**$2,334,653**	**$2,151,152**	**$3,643,324**	**$1,073,555**	**$1,886,627**	**$11,089,311**
CONDENSED STATEMENT OF CASH FLOWS						
Net cash provided (used) by:						
Operating activities	($81,515)	($20,391)	$23,721	($22,068)	($47,990)	($148,243)
Noncapital financing activities	52,452	77,302	103,564	39,337	72,309	344,964
Investing activities	26,845	(171,972)	(128,440)	6,931	(30,830)	(297,466)
Net increase (decrease) in cash and cash equivalents	**(2,218)**	**(115,061)**	**(1,155)**	**24,200**	**(6,511)**	**(100,745)**
Cash and cash equivalents – beginning of year	8,388	385,342	9,298	1,045	54,521	458,594
Cash and cash equivalents – end of year	**$6,170**	**$270,281**	**$8,143**	**$25,245**	**$48,010**	**$357,849**

Condensed financial statement information related to the University's campus foundations, including their allocated share of the assets and liabilities associated with securities lending transactions in the University's investment pools, for the year ended June 30, 2019 is as follows:

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS					
(in thousands of dollars)	BERKELEY	SAN FRANCISCO	LOS ANGELES	SAN DIEGO	ALL OTHER	TOTAL
CONDENSED STATEMENT OF NET POSITION						
Current assets	$140,203	$459,416	$681,249	$147,368	$181,497	$1,609,733
Noncurrent assets	2,301,104	1,846,848	3,127,358	968,994	1,664,074	9,908,378
Total assets	**2,441,307**	**2,306,264**	**3,808,607**	**1,116,362**	**1,845,571**	**11,518,111**
Current liabilities	19,706	35,277	314,259	7,598	42,564	419,404
Noncurrent liabilities	78,739	284,009	32,166	7,563	25,668	428,145
Total liabilities	**98,445**	**319,286**	**346,425**	**15,161**	**68,232**	**847,549**
Total deferred inflows of resources	**63,275**	**31,377**	**50,162**	**63,377**	**20,484**	**228,675**
Restricted	2,268,502	1,955,202	2,922,558	1,012,372	1,744,539	9,903,173
Unrestricted	11,085	399	489,462	25,452	12,316	538,714
Total net position	**$2,279,587**	**$1,955,601**	**$3,412,020**	**$1,037,824**	**$1,756,855**	**$10,441,887**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION						
Operating revenues	$147,008	$251,426	$347,424	$57,320	$116,152	$919,330
Operating expenses	(228,154)	(341,081)	(329,950)	(107,952)	(163,076)	(1,170,213)
Operating income (loss)	**(81,146)**	**(89,655)**	**17,474**	**(50,632)**	**(46,924)**	**(250,883)**
Nonoperating revenues	106,490	80,891	94,558	58,847	90,241	431,027
Income (loss) before other changes in net position	**25,344**	**(8,764)**	**112,032**	**8,215**	**43,317**	**180,144**
Permanent endowments	118,880	113,882	122,232	32,584	70,773	458,351
Increase in net position	**144,224**	**105,118**	**234,264**	**40,799**	**114,090**	**638,495**
Net position – beginning of year	2,135,363	1,850,483	3,177,756	997,025	1,642,765	9,803,392
Net position – end of year	**$2,279,587**	**$1,955,601**	**$3,412,020**	**$1,037,824**	**$1,756,855**	**$10,441,887**
CONDENSED STATEMENT OF CASH FLOWS						
Net cash provided (used) by:						
Operating activities	($75,071)	($92,845)	$19,883	($54,226)	($37,255)	($239,514)
Noncapital financing activities	91,333	114,840	115,297	27,944	46,445	395,859
Investing activities	(14,153)	(33,522)	(130,481)	26,288	6,740	(145,128)
Net increase (decrease) in cash and cash equivalents	**2,109**	**(11,527)**	**4,699**	**6**	**15,930**	**11,217**
Cash and cash equivalents – beginning of year	6,279	396,869	4,599	1,039	38,591	447,377
Cash and cash equivalents – end of year	**$8,388**	**$385,342**	**$9,298**	**$1,045**	**$54,521**	**$458,594**

Additional information on the foundations can be found in the foundations' separately issued annual reports, which can be obtained by contacting the individual foundation.

21. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

Amounts committed but unexpended for construction projects totaled $2.7 billion at June 30, 2020. The University has a remaining commitment to contribute $79.8 million for investments in joint ventures at June 30, 2020.

The University leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2020 and 2019 were $371.9 million and $362.4 million, respectively. The terms of the operating leases extend through 2042.

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

(in thousands of dollars)	**UNIVERSITY OF CALIFORNIA**
Year Ending June 30	
2021	$319,114
2022	265,538
2023	220,200
2024	183,492
2025	131,639
2026 - 2030	381,659
2031 - 2035	120,541
2036 - 2040	14,403
2040 - 2043	456
Total	**$1,637,042**

Contingencies

Substantial amounts are received and expended by the University, including its medical centers, 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. University management believes that any liabilities arising from such audits will not have a material effect on the University's financial position.

The University and the campus 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, University management and general counsel are of the opinion that the outcome of such matters will not have a material effect on the University's financial position.

22. Risks and Uncertainties

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally, in the United States and California, including cities and counties throughout the state. On March 4, 2020, the Governor declared a state of emergency to help the state prepare and respond to COVID-19, and on March 19, 2020, the Governor issued a statewide order, Executive Order N-33-20, directing all residents to heed current state public health directives to stay home or at their place of residence except as needed to maintain continuity of operations of critical infrastructure sectors during the COVID-19 response. Such orders and restrictions have resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, travel restrictions and cancellations of events. While there has been and will continue to be material financial impacts to the University due to COVID-19 that will affect financial results for 2021 and potentially beyond, we believe we have sufficient liquidity to meet our operating and financial needs. However, given the difficulty in predicting the duration and severity of the coronavirus on the University, the economy and the financial markets, the ultimate impact may be material.

23. Subsequent Event

On September 19, 2020, the U.S. Department of Health and Human Services (HHS) released additional post-payment reporting rules for funds received from the CARES Act Provider Relief Fund (PRF). The new requirements require the University to first use PRF funds for health care related expenses attributable to coronavirus that another source has not reimbursed and is not obligated to reimburse, and only then, apply any remaining PRF funds not fully expended on health care related expenses attributable to coronavirus to lost revenues, represented as a negative change in year-over-year net patient care operating income, comparing calendar year 2020 to calendar year 2019. HHS is entitled to recoup PRF fund amounts not expended in full by June 30, 2021. Due to these new reporting requirements, there is at least a reasonable possibility that nonoperating revenues of $438.6 million reported as direct grants under the PRF by the University may change in future periods.

Required Supplementary Information *(Unaudited)*

UCRP

The schedule of changes in net pension liability includes multiyear trend information about whether the pension assets are increasing or decreasing over time relative to the pension liabilities. The University's schedule of changes in the net pension liability for UCRP as of June 30 is:

(in thousands of dollars)	2020	2019	2018	2017
TOTAL PENSION LIABILITY				
Service cost	$2,466,497	$1,946,612	$1,873,004	$1,807,143
Interest on the total pension liability	5,981,599	5,576,660	5,295,733	5,035,267
Difference between expected and actual experience	(282,321)	334,605	138,419	74,664
Changes of assumptions or other inputs		7,816,717		
Benefits paid, including refunds of employee contributions	(3,944,998)	(3,816,434)	(3,587,554)	(3,320,990)
Net change in total pension liability	**4,220,777**	**11,858,160**	**3,719,602**	**3,596,084**
Total pension liability - beginning of year	88,404,608	76,546,448	72,826,846	69,230,762
Total pension liability - end of year	**92,625,385**	**88,404,608**	**76,546,448**	**72,826,846**
PLAN NET POSITION				
Contributions - employer	2,444,025	2,408,650	2,335,874	2,385,576
Contributions - member	1,019,302	956,543	941,144	891,987
Contributions - state			169,000	171,000
Net investment income	1,184,938	4,018,595	4,837,552	7,866,281
Benefits paid, including refunds of employee contributions	(3,944,998)	(3,816,434)	(3,587,554)	(3,320,990)
Administrative expense	(65,989)	(61,981)	(36,684)	(44,128)
Net change in plan net position	**637,278**	**3,505,373**	**4,659,332**	**7,949,726**
Plan net position - beginning of year	70,278,963	66,773,590	62,114,258	54,164,532
Plan net position - end of year	**70,916,241**	**70,278,963**	**66,773,590**	**62,114,258**
Net pension liability - end of year	**$21,709,144**	**$18,125,645**	**$9,772,858**	**$10,712,588**

(in thousands of dollars)	2016	2015	2014	2013	2012
TOTAL PENSION LIABILITY					
Service cost	$1,710,241	$1,589,267	$1,519,183	$1,456,761	$1,531,094
Interest on the total pension liability	4,784,904	4,538,846	4,316,728	4,112,461	3,871,146
Difference between expected and actual experience	136,167	(112,155)	(320,624)	(183,253)	(212,758)
Changes of assumptions or other inputs		2,136,793		(3,312,815)	4,923,778
Benefits paid, including refunds of employee contributions	(3,105,641)	(2,976,992)	(2,687,540)	(2,487,369)	(2,273,071)
Net change in total pension liability	**3,525,671**	**5,175,759**	**2,827,747**	**(414,215)**	**7,840,189**
Total pension liability - beginning of year	65,705,091	60,529,332	57,701,585	58,115,800	50,275,611
Total pension liability - end of year	**69,230,762**	**65,705,091**	**60,529,332**	**57,701,585**	**58,115,800**
PLAN NET POSITION					
Contributions - employer	2,426,683	2,510,046	1,580,876	810,056	1,851,460
Contributions - member	845,036	793,012	577,466	415,641	272,420
Contributions - state	96,000				
Net investment income	(1,104,655)	1,993,801	8,009,980	4,833,339	115,863
Benefits paid, including refunds of employee contributions	(3,105,642)	(2,976,993)	(2,687,540)	(2,487,369)	(2,273,071)
Administrative expense	(48,340)	(48,283)	(37,641)	(37,426)	(32,839)
Net change in plan net position	**(890,918)**	**2,271,583**	**7,443,141**	**3,534,241**	**(66,167)**
Plan net position - beginning of year	55,055,450	52,783,867	45,340,726	41,806,485	41,872,652
Plan net position - end of year	**54,164,532**	**55,055,450**	**52,783,867**	**45,340,726**	**41,806,485**
Net pension liability - end of year	**$15,066,230**	**$10,649,641**	**$7,745,465**	**$12,360,859**	**$16,309,315**

The University's schedule of net pension liability for UCRP as of June 30 is:

(in thousands of dollars)	**2020**	**2019**	**2018**	**2017**
Total pension liability	$92,625,385	$88,404,608	$76,546,448	$72,826,846
Plan net position	70,916,241	70,278,963	66,773,590	62,114,258
Net pension liability	**$21,709,144**	**$18,125,645**	**$9,772,858**	**$10,712,588**
Ratio of plan net position to total pension liability	76.6%	79.5%	87.2%	85.3%
Covered payroll	$13,056,696	$12,168,209	$11,923,489	$11,301,506
Net pension liability as a percentage of covered payroll	166.3%	149.0%	82.0%	94.8%

(in thousands of dollars)	**2016**	**2015**	**2014**	**2013**	**2012**
Total pension liability	$69,230,762	$65,705,091	$60,529,332	$57,701,585	$58,115,800
Plan net position	54,164,532	55,055,450	52,783,867	45,340,726	41,806,485
Net pension liability	**$15,066,230**	**$10,649,641**	**$7,745,465**	**$12,360,859**	**$16,309,315**
Ratio of plan net position to total pension liability	78.2%	83.8%	87.2%	78.6%	71.9%
Covered payroll	$10,689,424	$10,047,570	$9,372,583	$8,921,077	$8,594,147
Net pension liability as a percentage of covered payroll	140.9%	106.0%	82.6%	138.6%	189.8%

The University's schedule of employer contributions for UCRP as of June 30 is:

(in thousands of dollars)

YEAR ENDED JUNE 30	ACTUARIALLY DETERMINED CONTRIBUTIONS	CONTRIBUTIONS IN RELATION TO ACTUARIAL CONTRIBUTIONS	CONTRIBUTION DEFICIENCY (EXCESS)	COVERED PAYROLL	CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL
2020	$2,516,234	$2,444,025	$72,209	$13,056,696	19%
2019	2,742,671	2,408,650	334,021	12,168,209	20
2018	2,669,169	2,504,874	164,295	11,923,489	21
2017	2,654,710	2,556,576	98,134	11,301,506	23
2016	2,610,953	2,522,683	88,270	10,689,424	24
2015	2,664,384	2,510,046	154,338	10,047,570	25
2014	2,472,697	1,580,876	891,821	9,372,583	17
2013	2,062,022	810,056	1,251,966	8,921,077	9
2012	1,806,205	1,851,459	(45,254)	8,594,147	22
2011	1,695,137	1,677,921	17,216	8,140,629	21

NOTES TO SCHEDULE

Methods and assumptions used to determined contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age actuarial cost method.
Amortization method	Level dollar, closed periods.
Remaining amortization period	18.70 years as of July 1, 2019. The July 1, 2010 amortization bases were combined into a single amortization base and amortized over 30 years. Any changes in Unfunded Actuarial Accrued Liability (UAAL) due to actuarial experience gains or losses after July 1, 2010, are separately amortized over a fixed (closed) 30-year period effective with that valuation. Any changes in UAAL due to a change in actuarial assumptions or plan provisions are separately amortized over a fixed (closed)15-year period. Any changes in UAAL due to actuarial experience gains or losses or a change in actuarial assumptions after July 1, 2014, are separately amortized over a fixed (closed) 20-year period.
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years. An unrecognized return is equal to the difference between the actual and the expected return on a market value basis and is recognized over a five-year period.
Inflation	2.50%.
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation.
Projected salary increases	3.65 - 5.95%, varying by service, including inflation.
Cost-of-living adjustments	2.00%.
Mortality	Active and inactive: Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table. Healthy: 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. Beneficiaries of retired members: Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table multiplied by 100 percent for males and 90 percent for females. Disabled: Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table. All mortality tables listed above are projected generationally with the two-dimensional mortality improvement scale MP-2018.

UC-VERIP

The University's schedule of changes in net pension liability for UC-VERIP as of June 30 is:

(in thousands of dollars)	**2020**	**2019**	**2018**	**2017**
TOTAL PENSION LIABILITY				
Interest on the total pension liability	$1,656	$1,983	$2,042	$2,463
Difference between expected and actual experience	(1,342)	(79)	(436)	(189)
Changes of assumptions or other inputs		714		
Benefits paid, including refunds of employee contributions	(4,142)	(4,213)	(4,610)	(4,738)
Net change in total pension liability (surplus)	**(3,828)**	**(1,595)**	**(3,004)**	**(2,464)**
Total pension liability - beginning of year	27,945	29,540	32,544	35,008
Total pension liability - end of year	**24,117**	**27,945**	**29,540**	**32,544**
PLAN NET POSITION				
Net investment income	1,049	3,748	4,885	8,666
Benefits paid, including refunds of employee contributions	(4,142)	(4,213)	(4,610)	(4,738)
Administrative expense	(4)	(5)	(5)	(6)
Net change in plan net position	**(3,097)**	**(470)**	**270**	**3,922**
Plan net position - beginning of year	64,778	65,248	64,978	61,056
Plan net position - end of year	**61,681**	**64,778**	**65,248**	**64,978**
Net pension surplus - end of year	**($37,564)**	**($36,833)**	**($35,708)**	**($32,434)**

(in thousands of dollars)	**2016**	**2015**	**2014**	**2013**	**2012**
TOTAL PENSION LIABILITY					
Interest on the total pension liability	$2,533	$2,704	$2,857	$3,052	$3,227
Changes of benefit terms					11,186
Difference between expected and actual experience	(650)	242	(436)	(241)	172
Changes of assumptions or other inputs		1,837			1,268
Benefits paid, including refunds of employee contributions	(4,937)	(5,081)	(5,169)	(5,278)	(5,369)
Net change in total pension liability (surplus)	**(3,054)**	**(298)**	**(2,748)**	**(2,467)**	**10,484**
Total pension liability - beginning of year	38,062	38,360	41,108	43,575	33,091
Total pension liability - end of year	**35,008**	**38,062**	**38,360**	**41,108**	**43,575**
PLAN NET POSITION					
Net investment income	(1,425)	2,550	11,035	7,144	90
Benefits paid, including refunds of employee contributions	(4,937)	(5,081)	(5,169)	(5,278)	(5,369)
Administrative expense	(7)	(6)	(6)	(7)	(7)
Net change in plan net position	**(6,369)**	**(2,537)**	**5,860**	**1,859**	**(5,286)**
Plan net position - beginning of year	67,425	69,962	64,102	62,243	67,529
Plan net position - end of year	**61,056**	**67,425**	**69,962**	**64,102**	**62,243**
Net pension surplus - end of year	**($26,048)**	**($29,363)**	**($31,602)**	**($22,994)**	**($18,668)**

The University's schedule of net pension asset for UC-VERIP as of June 30 is:

(in thousands of dollars)	2020	2019	2018	2017
Total pension liability	$24,117	$27,945	$29,540	$32,544
Plan net position	61,681	64,778	65,248	64,978
Net pension surplus	**($37,564)**	**($36,833)**	**($35,708)**	**($32,434)**
Ratio of plan net position to total pension liability	255.8%	231.8%	220.9%	199.7%

(in thousands of dollars)	2016	2015	2014	2013	2012
Total pension liability	$35,008	$38,062	$38,360	$41,108	$43,575
Plan net position	61,056	67,425	69,962	64,102	62,243
Net pension surplus	**($26,048)**	**($29,363)**	**($31,602)**	**($22,994)**	**($18,668)**
Ratio of plan net position to total pension liability	174.4%	177.1%	182.4%	155.9%	142.8%

The University is not required to make contributions to the UC-VERIP due to its fully funded status.

CHRCO PENSION PLAN

The schedule of changes in the net pension liability for the CHRCO Pension Plan as of June 30:

(in thousands of dollars)	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY							
Service cost	$12,648	$11,430	$11,304	$9,910	$10,410	$9,448	$9,274
Interest on the total pension liability	36,005	34,165	31,854	29,672	27,782	24,683	22,453
Changes of benefit terms			92	33	24	40	142
Difference between expected and actual experience	23,581	5,214	3,609	2,442	(3,690)	762	2,487
Changes of assumptions or other inputs	28,609	(9,540)			3,613	33,105	
Benefits paid, including refunds of employee contributions	(17,262)	(15,143)	(12,802)	(11,767)	(9,509)	(8,082)	(6,994)
Net change in total pension liability	**83,581**	**26,126**	**34,057**	**30,290**	**28,630**	**59,956**	**27,362**
Total pension liability - beginning of year	510,335	484,209	450,152	419,862	391,232	331,276	303,914
Total pension liability - end of year	**593,916**	**510,335**	**484,209**	**450,152**	**419,862**	**391,232**	**331,276**
PLAN NET POSITION							
Contributions - employer	31,200	31,200	33,600	28,800	24,000	18,000	14,500
Net investment income	(7,468)	25,203	33,269	41,256	214	11,797	48,704
Benefits paid, including refunds of employee contributions	(17,262)	(15,143)	(12,802)	(11,767)	(9,509)	(8,082)	(6,994)
Administrative expense	(3,598)	(2,711)	(3,014)	(2,727)	(1,816)	(1,222)	(718)
Net change in plan net position	**2,872**	**38,549**	**51,053**	**55,562**	**12,889**	**20,493**	**55,492**
Total plan net position - beginning of year	498,610	460,061	409,008	353,446	340,557	320,064	264,572
Total plan net position - end of year	**501,482**	**498,610**	**460,061**	**409,008**	**353,446**	**340,557**	**320,064**
Net pension liability - end of year	**$92,434**	**$11,725**	**$24,148**	**$41,144**	**$66,416**	**$50,675**	**$11,212**

The schedule of net pension liability for the CHRCO Pension Plan as of June 30 is:

(in thousands of dollars)	2020	2019	2018	2017	2016	2015	2014
Total pension liability	$593,916	$510,335	$484,209	$450,152	$419,862	$391,232	$331,276
Plan net position	501,482	498,610	460,061	409,008	353,446	340,557	320,064
Net pension liability	**$92,434**	**$11,725**	**$24,148**	**$41,144**	**$66,416**	**$50,675**	**$11,212**
Ratio of plan net position to total pension liability	84.4%	97.7%	95.0%	90.9%	84.2%	87.0%	96.6%
Covered payroll	$209,596	$190,599	$187,639	$184,083	$165,672	$177,986	$175,189
Net pension liability as a percentage of covered payroll	44.1%	6.2%	12.9%	22.4%	40.1%	28.5%	6.4%

The schedule of employer contributions for the CHRCO Pension Plan as of June 30 is:

(in thousands of dollars)	2020	2019	2018	2017	2016	2015	2014
Actuarially calculated employer contributions	$22,000	$17,870	$7,710	$5,642	$7,823	$12,239	$21,282
Contributions in relation to the actuarially calculated employer contribution	31,200	31,200	33,600	28,800	24,000	18,000	14,500
Annual contribution deficiency (excess)	**($9,200)**	**($13,330)**	**($25,890)**	**($23,158)**	**($16,177)**	**($5,761)**	**$6,782**
Covered payroll	$209,596	$190,599	$187,639	$184,083	$165,672	$177,986	$175,189
Actual contributions as a percentage of covered payroll	14.9%	16.4%	17.9%	15.6%	14.5%	10.1%	8.3%

NOTES TO SCHEDULE

Methods and assumptions used to determine contribution rates:

Valuation date	Actuarially calculated contributions are calculated as of January 1 of the end of the fiscal year in which contributions are reported.
Actuarially determined contribution	The Plan is subject to funding requirements under ERISA. The contribution shown is the IRC Section 430 minimum contribution prior to offset by credit balances prorated for the number of months in the fiscal year. For the period January 1, 2014 to June 30, 2014, the amount shown does not reflect changes in the Highway and Transportation Funding Act of 2014 (HATFA). The contribution for July 1, 2014 and thereafter includes HATFA.
Contributions in relation to the actuarially determined contribution	The amount shown is equal to the contributions contributed to the Plan during the fiscal year shown.
Actuarial cost method	Unit Credit Actuarial Cost Method.
Amortization method	Level dollar, closed amortization over a 7-year period from the valuation date as specified under PPA.
Remaining amortization period	7 years for changes in unfunded liabilities that occur each valuation date.
Asset valuation method	The actuarial value of assets is equal to the two-year average of Plan asset values as of the valuation date. The 2-year average is the average of the two prior years' adjusted market value of assets and the current year's market value of assets. For this purpose, the prior years' market value of assets is adjusted to reflect benefit payments, administrative expenses, contributions and expected returns for the prior years. The resulting actuarial value of assets is adjusted to be within 10% of the market value of assets at the valuation date, as required by IRC Section 430.
Inflation	2.8%.
Investment rate of return	6.5%, net of pension plan investment expenses, including inflation.
Projected salary increases	Represented employees: 4.0% for 2020 through 2022, 3.75% from 2023 and after; Unrepresented employees: 0.0% for 2020, 2.0% for 2021, 3.0% for 2022 and 3.75% for 2023 and after.
Cost-of-living adjustments	N/A.
Mortality	Pri-2012 Mortality Table with fully generational projected mortality improvements using Scale MP-2019.

OCERS

The schedule of the University's proportionate share of OCERS' net pension liability is presented below:

(in thousands of dollars)

AS OF JUNE 30	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF NET PENSION LIABILITY	COVERED PAYROLL	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY
2020	0.3%	$15,107			71.6%
2019	0.3	17,404			67.9
2018	0.3	13,822	$15	92,146.7%	75.1
2017	0.3	18,057	44	41,038.6	69.0
2016	0.3	18,092	285	6,348.1	69.5

University Retiree Health Benefits Program

The schedule of changes in the net retiree health benefits liability includes multiyear trend information about whether the net retiree health benefits liability is increasing or decreasing over time. The University's net retiree health benefits liability includes liabilities for campuses, medical centers and LBNL. The University's schedule of changes in the net retiree health benefits liability as of, and for, the year ending June 30 is:

(in thousands of dollars)	**2020**	**2019**	**2018**
TOTAL RETIREE HEALTH BENEFITS LIABILITY			
Service cost	$912,067	$815,654	$835,154
Interest on the total retiree health benefits liability	724,584	758,521	716,777
Changes of benefit terms		(29,315)	
Difference between expected and actual experience	(1,539,139)	(1,219,146)	(1,173,742)
Changes of assumptions or other inputs	4,354,033	1,124,039	(354,585)
Retiree contributions	86,166	85,820	79,849
Benefits paid	(546,616)	(512,824)	(504,745)
Net change in total retiree health benefits liability	**3,991,095**	**1,022,749**	**(401,292)**
Total retiree health benefits liability - beginning of year	20,018,595	18,995,846	19,397,138
Total retiree health benefits liability - end of year	**24,009,690**	**20,018,595**	**18,995,846**
PLAN NET POSITION			
University contributions	462,609	451,437	453,988
Retiree contributions	86,166	85,820	79,849
Net investment income	2,281	3,195	1,634
Insurance premiums	(546,616)	(512,824)	(504,745)
Other deductions	(4,531)	(4,300)	(3,859)
Net change in retiree health benefits net position	**(91)**	**23,328**	**26,867**
Retiree health benefits net position - beginning of year	156,909	133,581	106,714
Retiree health benefits net position - end of year	**156,818**	**156,909**	**133,581**
Net retiree health benefits liability - end of year	**$23,852,872**	**$19,861,686**	**$18,862,265**

(in thousands of dollars)	**2017**	**2016**	**2015**
TOTAL RETIREE HEALTH BENEFITS LIABILITY			
Service cost	$1,004,644	$830,041	$702,935
Interest on the total retiree health benefits liability	646,279	735,294	719,853
Difference between expected and actual experience	101,280	(1,948,111)	
Changes of assumptions or other inputs	(3,827,924)	3,925,503	1,402,476
Retiree contributions	72,716	65,705	56,340
Benefits paid	(467,846)	(451,166)	(435,189)
Net change in total retiree health benefits liability	**(2,470,851)**	**3,157,266**	**2,446,415**
Total retiree health benefits liability - beginning of year	21,867,989	18,710,723	16,264,308
Total retiree health benefits liability - end of year	**19,397,138**	**21,867,989**	**18,710,723**
PLAN NET POSITION			
University contributions	432,953	410,945	367,416
Retiree contributions	72,716	65,705	56,340
Net investment income	606	155	41
Insurance premiums	(467,846)	(451,166)	(435,189)
Other deductions	(4,256)	(3,743)	(3,147)
Net change in retiree health benefits net position	**34,173**	**21,896**	**(14,539)**
Retiree health benefits net position - beginning of year	72,541	50,645	65,184
Retiree health benefits net position - end of year	**106,714**	**72,541**	**50,645**
Net retiree health benefits liability - end of year	**$19,290,424**	**$21,795,448**	**$18,660,078**

The University's schedule of net retiree health benefits liability as of June 30 is:

(in thousands of dollars)	**2020**	**2019**	**2018**
Total retiree health benefits liability	$24,009,690	$20,018,595	$18,995,846
Retiree health benefits net position	156,818	156,909	133,581
Net retiree health benefits liability	**$23,852,872**	**$19,861,686**	**$18,862,265**
Ratio of retiree health benefits net position to total retiree health benefits liability	0.7%	0.8%	0.7%
Covered payroll	$13,461,790	$12,717,122	$12,391,018
Net retiree health benefits liability as a percentage of covered payroll	177.2%	156.2%	152.2%
Discount rate	2.21%	3.50%	3.87%

(in thousands of dollars)	**2017**	**2016**	**2015**
Total retiree health benefits liability	$19,397,138	$21,867,989	$18,710,723
Retiree health benefits net position	106,714	72,541	50,645
Net retiree health benefits liability	**$19,290,424**	**$21,795,448**	**$18,660,078**
Ratio of retiree health benefits net position to total retiree health benefits liability	0.6%	0.3%	0.3%
Covered payroll	$11,495,997	$10,689,424	$10,047,570
Net retiree health benefits liability as a percentage of covered payroll	167.8%	203.9%	185.7%
Discount rate	3.58%	2.85%	3.80%

University of California Retiree Health Benefit Trust

The schedule of changes in the net retiree health benefits liability includes multiyear trend information about whether the trust assets are increasing or decreasing over time relative to the total retiree health benefits liability for the campuses and medical centers. UCRHBT's schedule of changes in net retiree health benefits liability as of, and for, the year ending June 30 is:

(in thousands of dollars)	2020	2019	2018
TOTAL RETIREE HEALTH BENEFIT LIABILITY			
Service cost	$893,557	$798,249	$816,483
Interest on the total retiree health benefits liability	702,640	734,693	694,562
Changes of benefit terms		(28,401)	
Difference between expected and actual experience	(1,474,623)	(1,175,284)	(1,149,032)
Changes of assumptions or other inputs	4,222,620	1,091,609	(353,516)
Retiree contributions	83,111	82,710	76,873
Benefits paid	(525,262)	(490,615)	(483,479)
Net change in total retiree health benefits liability	**3,902,043**	**1,012,961**	**(398,109)**
Total retiree health benefits liability - beginning of year	19,401,053	18,388,092	18,786,201
Total retiree health benefits liability - end of year	**23,303,096**	**19,401,053**	**18,388,092**
PLAN NET POSITION			
University contributions	444,310	432,338	435,698
Retiree contributions	83,111	82,710	76,873
Net investment income	2,281	3,195	1,634
Insurance premiums	(525,262)	(490,615)	(483,479)
Other deductions	(4,531)	(4,300)	(3,859)
Net change in UCRHBT net position	**(91)**	**23,328**	**26,867**
UCRHBT net position - beginning of year	156,909	133,581	106,714
UCRHBT net position - end of year	**156,818**	**156,909**	**133,581**
Net retiree health benefits liability - end of year	**$23,146,278**	**$19,244,144**	**$18,254,511**

(in thousands of dollars)	2017	2016	2015
TOTAL RETIREE HEALTH BENEFIT LIABILITY			
Service cost	$981,745	$806,817	$683,320
Interest on the total retiree health benefits liability	625,947	711,365	695,999
Difference between expected and actual experience	95,254	(1,875,009)	
Changes of assumptions or other inputs	(3,707,921)	3,798,113	1,358,761
Retiree contributions	69,968	65,705	56,340
Benefits paid	(447,604)	(433,849)	(418,244)
Net change in total retiree health benefits liability	**(2,382,611)**	**3,073,142**	**2,376,176**
Total retiree health benefits liability - beginning of year	21,168,812	18,095,670	15,719,494
Total retiree health benefits liability - end of year	**18,786,201**	**21,168,812**	**18,095,670**
PLAN NET POSITION			
University contributions	415,459	393,628	350,471
Retiree contributions	69,968	65,705	56,340
Net investment income	606	155	41
Insurance premiums	(447,604)	(433,849)	(418,244)
Other deductions	(4,256)	(3,743)	(3,147)
Net change in UCRHBT net position	**34,173**	**21,896**	**(14,539)**
UCRHBT net position - beginning of year	72,541	50,645	65,184
UCRHBT net position - end of year	**106,714**	**72,541**	**50,645**
Net retiree health benefits liability - end of year	**$18,679,487**	**$21,096,271**	**$18,045,025**

UCRHBT's schedule of net retiree health benefits liability for campuses and medical centers as of June 30 is:

(in thousands of dollars)	**2020**	**2019**	**2018**
Total retiree health benefits liability	$23,303,096	$19,401,053	$18,388,092
UCRHBT net position	156,818	156,909	133,581
Net retiree health benefits liability	**$23,146,278**	**$19,244,144**	**$18,254,511**
Ratio of UCRHBT net position to total retiree health benefits liability	0.7%	0.8%	0.7%
Covered payroll	$13,104,846	$12,381,741	$12,087,000
Net retiree health benefits liability as a percentage of covered payroll	176.6%	155.4%	151.0%
Discount rate	2.2%	3.5%	3.9%

(in thousands of dollars)	**2017**	**2016**	**2015**
Total retiree health benefits liability	$18,786,201	$21,168,812	$18,095,670
UCRHBT net position	106,714	72,541	50,645
Net retiree health benefits liability	**$18,679,487**	**$21,096,271**	**$18,045,025**
Ratio of UCRHBT net position to total retiree health benefits liability	0.6%	0.3%	0.3%
Covered payroll	$11,196,485	$10,396,827	$9,758,795
Net retiree health benefits liability as a percentage of covered payroll	166.8%	202.9%	184.9%
Discount rate	3.6%	2.9%	3.8%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UNIVERSITY OF CALIFORNIA

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UNIVERSITY OF CALIFORNIA

University of California
Office of the President
1111 Franklin Street
Oakland, CA 94607

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