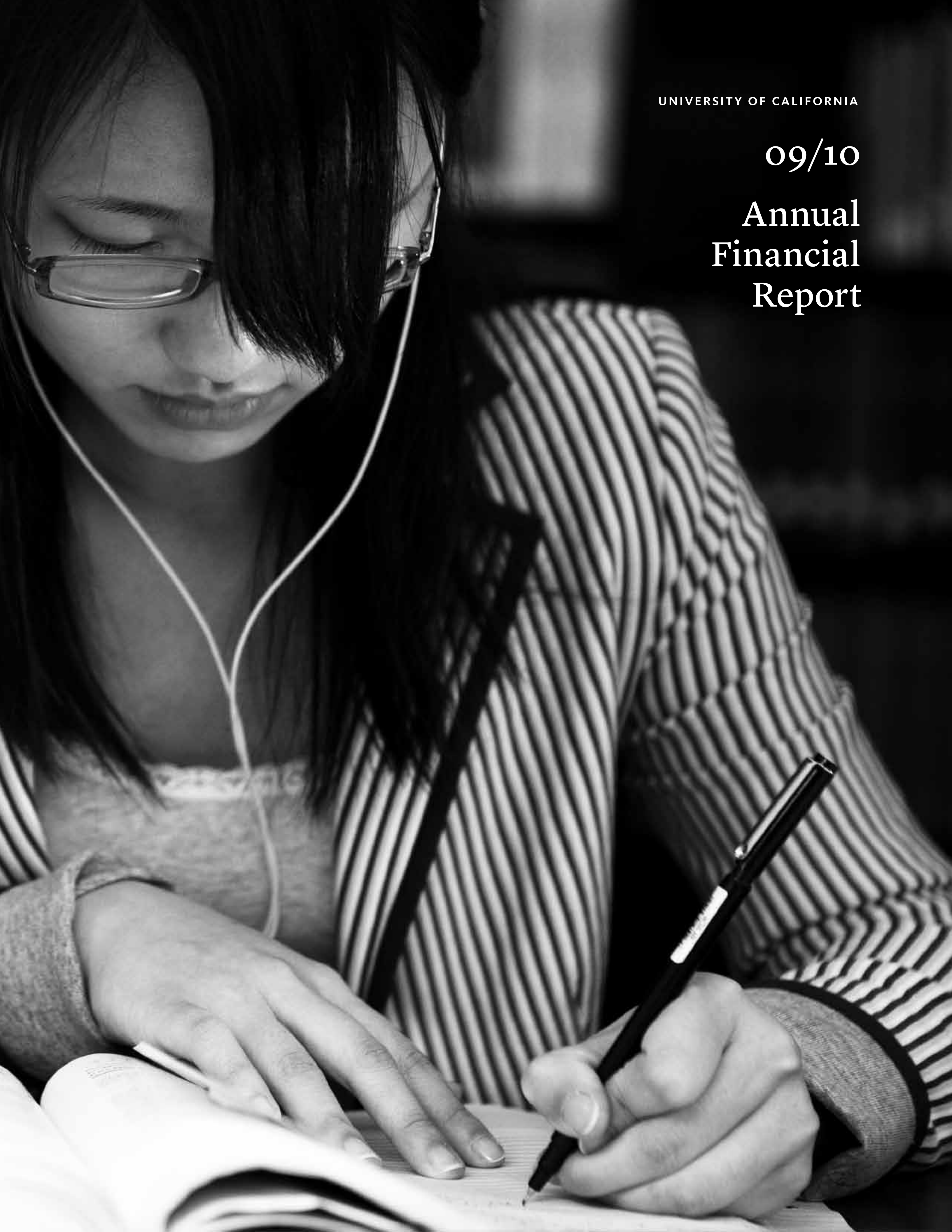
UNIVERSITY OF CALIFORNIA

09/10 Annual Financial Report



Working to serve California and the world through education, research and public service.

The University of California creates opportunity for anyone who works hard, dreams big and is willing to take risks to make a difference. We embrace the richness of diversity. Our campuses enroll more low-income students than any U.S. research university because access is one of our highest priorities. Quality is another. Our graduates succeed because we take pride in attracting the kind of people who can turn knowledge into new possibilities.

UC researchers and faculty made 1,482 discoveries last year, an average of four a day and more than any other U.S. university. At UC it is not enough simply to invent.

UC inventions stoke the economic growth of California, leading to new industries and jobs. For more than 142 years, we have played a role in transforming the way the world treats disease,promotes justice, builds bridges, advances technology, makes music and creates art. The University of California was founded to serve the public good. Today that tradition is stronger than ever and inspires all our future endeavors.

Letter from the President

The University of California commemorated an important milestone this year — the 50th anniversary of the California Master Plan for Higher Education. This seminal document created the foundation on which UC grew to international prominence, not just as a research leader but also an engine of opportunity for all our citizens.

The Master Plan, signed into state law in April 1960, enabled the UC system to expand geographically and to open doors to more diverse student populations — while maintaining the highest academic standards.

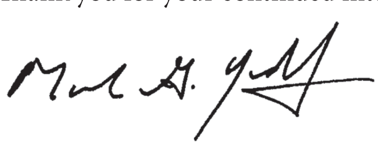
Sadly, the last two years of economic turbulence have left our University struggling to maintain the level of service promised in the Master Plan. The state funding cuts have been severe. To cope with the budget shortfalls, we have sacrificed at every level of operation, cutting student services and class offerings, furloughing and laying off staff, deferring faculty hiring and curbing plans to upgrade and modernize classrooms and laboratories.

What we have refused to sacrifice is the UC commitment to accessibility and quality. Despite budget-motivated fee increases, the largest number of prospective students in UC history applied for fall 2010 admission. Our outstanding graduate and professional school programs have continued to attract highly motivated and achieving young scholars. UC awards more doctorates than any U.S. institution. To ensure that students from all income levels and backgrounds have a shot at a UC degree, we instituted two initiatives aimed at increasing student financial support. The Blue and Gold Opportunity Plan covers the systemwide fees for students with household incomes of $70,000 or lower. Project You Can has a 10-campus, four-year goal of collectively raising $1 billion in scholarships. We've also widened the pathway to a four-year degree by enrolling more California community college transfer students. Accessibility to affordable higher education is one of our highest priorities.

In spite of our state budget challenges, UC continues to thrive as a world-class research institution and to attract federal research funding. Our faculty and students are leading the world in breakthroughs in the arts, social sciences, health, energy, technology, engineering and agriculture. For the 17th straight year, UC led all U.S. universities in the number of patents granted. In the last fiscal year, UC research produced 1,482 new inventions and spawned 47 startup companies. These accomplishments testify to UC's role as a significant partner in California's economic recovery and as an innovative problem-solver.

I am confident that the UC knack for innovation and visionary thinking will lead us through these challenging economic times. We are committed to maintaining the highest quality research, teaching and public service. We stand ready to renew the promise of the Master Plan and to set the standards high for a new golden age in California public higher education. We need your support to accomplish these goals. Please stand with us as we strive to achieve accountability, accessibility and quality at every level of our institution.

Thank you for your continued interest in the University of California.



Mark G. Yudof

FACTS IN BRIEF

	2010	2009	2008	2007	2006
STUDENTS					
Undergraduate fall enrollment	177,788	173,078	167,693	163,302	159,066
Graduate fall enrollment	54,065	52,962	52,341	50,996	50,014
Total fall enrollment	**231,853**	**226,040**	**220,034**	**214,298**	**209,080**
University Extension enrollment	309,818	307,781	291,631	294,976	302,388
FACULTY AND STAFF (full-time equivalents)	**134,644**	**134,912**	**131,568**	**127,368**	**123,997**

SUMMARY FINANCIAL INFORMATION (IN THOUSANDS OF DOLLARS, EXCEPT FOR PARTICIPANT INFORMATION)

	2010	2009	2008	2007	2006
UNIVERSITY OF CALIFORNIA					
PRIMARY REVENUE SOURCES					
Student tuition and fees, net [1]	$ 2,401,323	$ 2,096,817	$ 1,921,918	$ 1,737,597	$ 1,662,948
Grants and contracts, net	4,939,155	4,506,157	4,344,401	4,167,076	4,000,868
Medical centers, educational activities and auxiliary enterprises, net	8,551,817	8,100,207	7,415,491	6,788,289	6,221,648
State educational, financing and capital appropriations	3,088,905	2,889,563	3,532,333	3,243,492	2,939,539
Federal Pell grants	298,584	201,427	170,465	148,519	143,708
Private gifts, net	794,244	664,103	733,966	681,277	624,052
Capital gifts and grants, net	189,617	154,998	245,305	216,783	166,502
Department of Energy laboratories	910,194	667,983	1,048,580	2,188,475	4,231,922
OPERATING EXPENSES BY FUNCTION					
Instruction	4,677,830	4,266,250	4,126,929	3,520,435	3,212,552
Research	4,143,448	3,740,604	3,495,821	3,156,541	3,035,949
Public service	545,544	491,121	482,487	420,760	400,844
Academic support	1,574,329	1,492,017	1,451,004	1,188,204	1,139,201
Student services	660,779	614,093	601,896	499,791	470,283
Institutional support	1,084,967	1,054,529	1,076,854	857,733	764,165
Operation and maintenance of plant	602,425	564,781	568,585	475,638	451,882
Student financial aid [2]	544,280	458,474	425,985	406,520	363,635
Medical centers	5,827,790	5,225,712	4,757,958	4,085,642	3,675,271
Auxiliary enterprises	985,639	969,652	955,701	807,271	719,551
Depreciation and amortization	1,267,134	1,197,404	1,093,620	1,049,008	997,023
Impairment of capital assets	22,803				
Department of Energy laboratories	903,926	661,863	1,039,330	2,169,750	4,197,685
Other	87,665	105,276	78,866	86,416	88,662
INCREASE (DECREASE) IN NET ASSETS	(524,584)	(2,252,036)	(234,664)	2,004,157	1,422,406
FINANCIAL POSITION					
Investments, at fair value	15,952,930	13,403,572	14,828,023	14,210,035	13,244,165
Capital assets, at net book value	22,463,051	21,276,915	19,593,214	18,105,332	16,665,001
Outstanding debt, including capital leases	12,534,930	10,323,945	10,024,982	9,363,730	8,876,248
Obligations for pension and retiree health benefits	5,381,625	2,445,824	1,118,754		
Net assets	19,351,079	19,875,663	22,127,699	22,404,180	20,400,023
UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS					
PRIMARY REVENUE SOURCES					
Private gifts, net	422,643	372,908	533,548	457,814	387,814
PRIMARY EXPENSES					
Grants to campuses	565,952	444,730	527,572	451,290	416,248
INCREASE (DECREASE) IN NET ASSETS	353,332	(640,513)	99,336	696,626	424,927
FINANCIAL POSITION					
Investments, at fair value	4,037,367	3,524,622	4,158,911	4,036,489	3,363,998
Pledges receivable, net	386,910	401,771	420,745	450,342	429,534
Net assets	4,183,650	3,830,318	4,470,831	4,371,495	3,674,869

Certain revisions in classifications, or restatements, have been made to prior year information in order to conform to current year presentation.

[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 assets.

[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.

FACTS IN BRIEF (CONTINUED)

	2010	2009	2008	2007	2006
SUMMARY FINANCIAL INFORMATION, CONTINUED (IN THOUSANDS OF DOLLARS, EXCEPT FOR PARTICIPANT INFORMATION)					
UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM					
PLAN PARTICIPATION					
Plan membership	221,852	228,550	225,225	225,623	220,307
Retirees and beneficiaries currently receiving payments	51,531	50,051	47,575	47,682	45,442
PRIMARY REVENUE SOURCES					
Contributions [3]	$ 1,106,774	$ 928,984	$ 1,037,898	$ 1,061,968	$ 1,024,262
Interest, dividends and other investment income, net	1,187,713	1,506,855	1,881,884	1,860,845	1,718,593
Net appreciation (depreciation) in the fair value of investments	4,243,820	(11,324,769)	(4,979,955)	7,863,875	2,140,449
PRIMARY EXPENSES					
Benefit payments	1,905,939	1,755,211	1,797,103	1,630,244	1,375,183
Participant and member withdrawals	711,380	709,683	1,007,055	939,768	791,046
INCREASE (DECREASE) IN NET ASSETS	3,887,875	(11,385,008)	(6,461,435)	6,732,403	2,682,044
FINANCIAL POSITION					
Investments, at fair value	45,855,690	42,352,723	52,532,169	59,685,467	53,866,319
Members' defined benefit pension plan benefits	34,633,878	32,315,482	42,099,498	48,191,497	43,440,054
Participants' defined contribution plan benefits	14,052,531	12,483,052	14,084,044	14,453,480	12,472,520
ACTUARIAL INFORMATION (as of the beginning of the year)					
Actuarial value of assets	42,685,564	43,727,521	43,328,050	41,872,844	40,993,301
Actuarial accrued liability	45,041,066	42,467,742	41,335,935	40,207,322	37,170,862
UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST					
PLAN PARTICIPATION					
Plan membership	146,588	144,556	141,230		
Retirees and beneficiaries currently receiving benefits	32,278	31,473	31,247		
PRIMARY REVENUE SOURCES					
Contributions	$ 254,037	$ 251,010	$ 243,144		
Interest, dividends and other investment income, net	97	528	691		
PRIMARY EXPENSES					
Insurance premiums	257,605	225,967	191,192		
INCREASE (DECREASE) IN NET ASSETS	(5,016)	23,566	50,804		
FINANCIAL POSITION					
Investments, at fair value	32,509	38,384	19,773		
Net assets for retiree health benefits	69,354	74,370	50,804		
ACTUARIAL INFORMATION (as of the beginning of the year)					
Actuarial value of assets	76,893	51,221	Zero		
Actuarial accrued liability—campuses and medical centers	14,541,529	13,302,506	12,074,689		

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

Letter from the Executive Vice President – CFO

Fiscal year 2010 was a challenge for everyone within the University of California community. Students, faculty, staff, alumni, parents — and indeed all California citizens — were affected either directly or indirectly by the economic turmoil that has shaken this institution.

But great challenge often brings about great opportunity. In the words of Horace, "Adversity has the effect of eliciting talents which, in prosperous circumstances, would have lain dormant." This statement proved true across all levels of the University this year, particularly within the area of operational excellence. While the University has long enjoyed world renown for its academic, research and health care distinction, it has not consistently achieved a similar level of success in business administration. Perhaps as a result of strenuous circumstances, we have reached a turning point.

Beginning with Chairman Gould and President Yudof's Commission on the Future, the University community at large coalesced around administrative and operational effectiveness as a key tenet of long-term viability. The consensus evolved into Working Smarter, an ongoing administrative efficiency initiative that brings together systemwide, regional and campus-level efforts under one umbrella with one strong commitment from the top: The University is committed to achieving a level of administrative excellence equivalent to that of its teaching and research enterprises.

Working Smarter already has manifested itself across myriad functional areas of the University. For instance, the University system created Connexxus, an efficient, cost-effective and comprehensive travel program utilized across all UC locations. By leveraging volume, the program realized $3 million in savings for fiscal year 2010 and is expected to achieve up to $15 million in annual savings by fiscal year 2012. Due to the success of the program in a relatively short period of time, the California State University System and the National Nuclear Security Administration have requested to participate in Connexxus, and plans are in place to extend utilization to these organizations.

Implementation of a systemwide UC Graduate Student Health Insurance Plan (GSHIP) began in March 2010. Five UC campuses as well as the UC Hastings College of the Law elected to implement the systemwide plan by fall 2010, with the remaining five campuses expected to join in fall 2011. Systemwide GSHIP will enable participating campuses to collectively purchase a special risk contract to provide comprehensive health insurance benefits to graduate students. GSHIP is expected to save the University $6 million in fiscal year 2011 while simultaneously reducing student costs and increasing benefits. A subsequent effort to examine and implement a pooled undergraduate student health insurance program also is underway.

Lack of one-time investment funding frequently has been a barrier to administrative efficiency improvements at both the campus and system levels. We are addressing this problem through internal-loan financing programs that leverage the University's high credit rating to make low borrowing costs available to campuses for a broader range of purposes beyond capital construction. On July 14, 2010, The Regents authorized CapEquip, the University's first ever capital equipment financing program, which is expected to save the University millions of dollars in fiscal year 2012 by offering campuses an alternative to third-party equipment leasing. Plans are underway to establish a similar program for strategic working-capital investments, particularly cross-campus collaborations that enhance programmatic and systems commonality.

The campuses are also engaged full-throttle in individual streamlining efforts. Tiger Teams at UC San Diego have identified efficiency opportunities in such areas as auxiliary operations and IT services, with key recommendations now being implemented. To improve service to their shared community, UC Davis and the city of Davis currently are consolidating fire departments on a pilot basis. In the area of purchasing, UCLA's strategic sourcing contracts are best in class, and the campus is extending its expertise to sister campuses in Merced and Santa Barbara. The Operational Excellence effort at UC Berkeley has advanced to the design phase, and execution teams are being formed from more than 200 faculty and staff nominations received campuswide. UC Riverside recently redesigned its administrative structure to increase effectiveness and generate much-needed budgetary savings. UC locations in Berkeley, Davis, Irvine, San Francisco and Santa Cruz, as well as Lawrence Berkeley National Laboratory, have teamed up on a common human resources information system that introduces considerable functionality for management decision-making and workforce planning. There are countless other examples of efficiency efforts happening at each campus and throughout the system, and more will continue to develop.

In many ways, fiscal year 2010 was an awakening. It brought about a resolve that excellence need not be restricted to the academic, research and health care enterprises only. I look forward to sharing more positive news as Working Smarter progresses from a strategy for overcoming adversity to a pillar of UC culture.

Thank you.

Peter J. Taylor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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, 2010, with selected comparative information for the years ended June 30, 2009 and 2008. 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 (2008, 2009, 2010, 2011, 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 assets, the statements of revenues, expenses and changes in net assets 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 assets and the statements of changes in plans' and trust's fiduciary net assets, 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 $21.8 billion and encompasses ten campuses, five medical schools and medical centers, three 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.

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. Our 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 advancement of medical science and research.

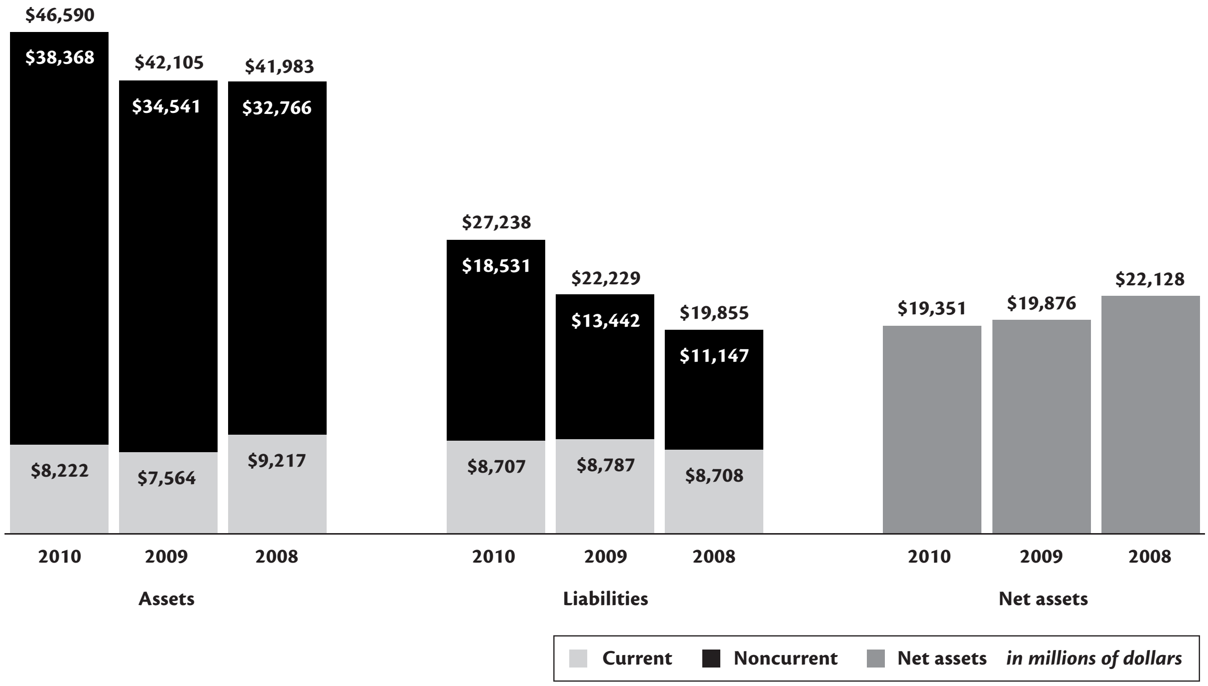
Law schools. The University has law schools at Berkeley, Davis and Los Angeles. Also, the Hastings College of the Law in San Francisco is affiliated with the University, although not included in the financial reporting entity.

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 conducts studies on the Berkeley, Davis and Riverside campuses, on 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 more than 17,000 self-supporting courses statewide and in several foreign countries.

National laboratories. Under contract with the U.S. Department of Energy (DOE), the University operates and manages the Ernest Orlando Lawrence Berkeley National Laboratory (LBNL) in California. The University is a member in two separate joint ventures, Los Alamos National Security, LLC (LANS) 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



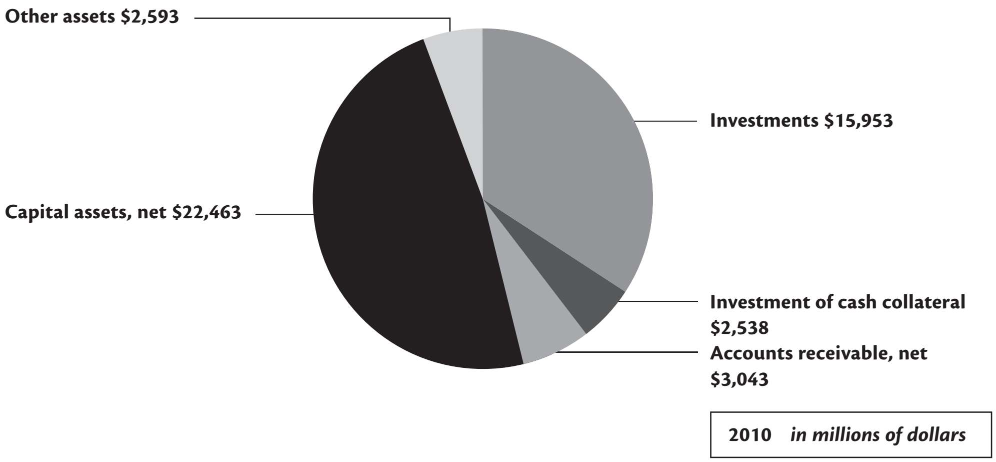
The statement of net assets presents the financial position of the University at the end of each year. It displays all of the University's assets and liabilities. The difference between assets and liabilities is net assets, representing a measure of the current financial condition of the University.

The major components of the assets, liabilities and net assets as of 2010, 2009 and 2008 are as follows:

(in millions of dollars)

	2010	2009	2008
ASSETS			
Investments	$ 15,953	$ 13,404	$ 14,828
Investment of cash collateral	2,538	2,191	3,218
Accounts receivable, net	3,043	2,682	2,427
Capital assets, net	22,463	21,277	19,593
Other assets	2,593	2,551	1,917
Total assets	**46,590**	**42,105**	**41,983**
LIABILITIES			
Debt, including commercial paper	12,943	10,989	10,025
Securities lending collateral	2,539	2,199	3,234
Obligation to UCRP	1,608	69	
Obligations for retiree health benefits	3,774	2,377	1,119
Other liabilities	6,374	6,595	5,477
Total liabilities	**27,238**	**22,229**	**19,855**
NET ASSETS			
Invested in capital assets, net of related debt	10,794	10,822	10,035
Reserved for minority interests	19		
Restricted:			
Nonexpendable	997	947	952
Expendable	5,024	4,558	5,793
Unrestricted	2,517	3,549	5,348
Total net assets	**$19,351**	**$19,876**	**$22,128**

The University's Assets



The University's total assets have grown to $46.6 billion in 2010, compared to $42.1 billion in 2009 and $42.0 billion in 2008. Generally, over the past two years, capital assets have increased while investments have increased or decreased consistent with market performance.

Investments

Investments classified as current assets are generally fixed or variable income securities in the Short Term Investment Pool (STIP) and Total Return Investment Pool (TRIP) with a maturity date within one year. Noncurrent investments include securities in the General Endowment Pool (GEP) or other pools, in addition to fixed or variable income securities in STIP and TRIP with a maturity date beyond one year. The TRIP, established in 2009, is managed to a total return objective and is intended to supplement STIP.

The financial markets, both domestically and internationally, have been volatile in recent times and have affected the valuation of investments. The Regents of the University of California (The Regents) utilizes asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. The GEP portfolio return was up 11.3 percent in 2010 and down 18.2 percent in 2009. TRIP had a positive return of 14.0 percent in 2010 and a negative return of 1.6 percent in 2009. STIP had positive returns of 2.7 percent and 3.6 percent in 2010 and 2009, respectively. Through use of the STIP, the University has been able to avoid liquidity issues experienced by some of our peer institutions.

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. It is managed as a single program. Cash collateral fluctuates in response to changes in demand from borrowers and the availability of securities based upon the University's asset allocation mix.

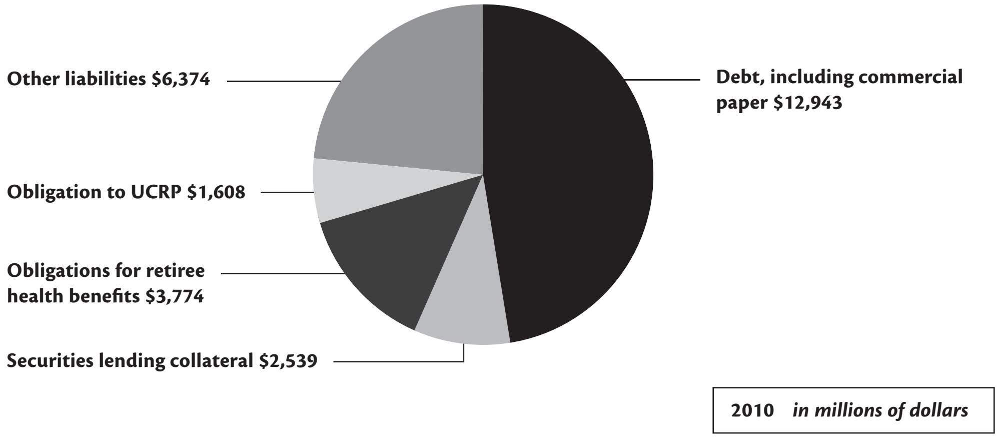
Capital assets, net

Capital spending continues 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. These facilities include core academic buildings, libraries, student services, housing and auxiliary enterprises, health science centers, utility plants and infrastructure, and remote centers for educational outreach, research and public service. Total additions of capital assets were $2.5 billion in 2010 as compared to $2.9 billion in 2009 and $2.6 billion in 2008.

Other assets

Other assets include cash, investments held by trustees, pledges receivable, notes and mortgages receivable, inventories and a receivable from the DOE. Cash increased in 2009 largely as a result of a $345 million educational appropriation received by the University from the state of California on June 30, 2009. The deposit was not transferred into investments until July 1, 2009.

The University's Liabilities



The University's liabilities grew to $27.2 billion in 2010, compared to $22.2 billion in 2009 and $19.9 billion in 2008, principally as a result of debt issued to finance capital expenditures and obligations for retiree pensions and health benefits.

Debt, including commercial paper

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

Outstanding debt increased by $2.0 billion in 2010 and $964 million in 2009. A summary of the activity follows:

(in millions of dollars)

	2010	2009
ADDITIONS TO OUTSTANDING DEBT		
General Revenue Bonds	$ 1,408	$ 794
Medical Center Pooled Revenue Bonds	523	
Capital leases	330	282
Other borrowings	197	103
Blended Component Unit Revenue Bonds	270	221
Commercial Paper		116
Bond premium, net	36	22
Additions to outstanding debt	**2,764**	**1,538**
REDUCTIONS TO OUTSTANDING DEBT		
Refinancing and prepayments	(167)	(210)
Scheduled principal payments	(339)	(329)
Commercial paper	(258)	
Payments on other borrowings	(40)	(34)
Other, including deferred financing costs, net	(6)	(1)
Reductions to outstanding debt	**(810)**	**(574)**
Net increase in outstanding debt	**$1,954**	**$ 964**

The University's debt used to finance capital assets, including $408 million of commercial paper outstanding at the end of 2010, $666 million of commercial paper outstanding at the end of 2009 and $550 million at the end of 2008, grew to $12.9 billion at the end of 2010, compared to $11.0 billion at the end of 2009 and $10.0 billion at the end of 2008. In 2010, $2.8 billion of debt was issued to finance and refinance certain facilities and projects of the University. General Revenue Bonds of $1.4 billion and Medical Center Pooled Revenue Bonds of $523 million were issued to finance and refinance certain facilities and projects of the University. The University issued tax-exempt bonds and taxable "Build America Bonds" which include an expected cash subsidy payment from the United States Treasury equal to 35.0 percent of the interest payable on the taxable bonds. Other borrowings included $271 million under a lease-purchase agreement with the state, $59 million in equipment leases, $197 million of interim financing loans and $270 million issued by two legally separate, non-profit corporations for the construction of research facilities. Reductions to outstanding debt in 2010 were $810 million, including $167 million for one-time principal payments for the refinancing or refunding of previously outstanding debt. Commercial paper borrowings decreased by $258 million due to the favorable interest rate market in 2010 and the opportunity to refinance commercial paper borrowings with long-term revenue bonds.

In 2009, $1.5 billion of debt was issued. General Revenue Bonds of $794 million were issued to finance and refinance certain facilities and projects of the University. Other borrowings included $207 million under a lease-purchase agreement with the state, $76 million in equipment leases, $103 million of interim financing loans, $116 million of commercial paper and $221 million issued by a legally separate, non-profit corporation for the construction of a new student housing facility. Reductions to outstanding debt in 2009 were $574 million, including $210 million for one-time principal payments for the refinancing or refunding of previously outstanding debt. The current portion of long-term debt decreased in 2009, primarily from payment of the $102 million in interim loans from the state for capital projects refinanced by the state's issuance of lease revenue bonds.

The University's General Revenue Bond ratings are currently affirmed at Aa1 with a stable outlook by Moody's Investors Service, AA+ by Fitch with a stable outlook and AA by Standard & Poor's with a stable outlook. The University's Limited Project Revenue Bonds and Medical Center Pooled Revenue Bonds are currently affirmed at Aa2 with a stable outlook by Moody's Investors Service and AA- by Standard & Poor's with a stable outlook.

Commercial paper is classified as a current liability. Commercial paper has been used as interim financing for construction projects and equipment financing. In 2010, commercial paper was used for operations during the period the state deferred appropriation payments to the University. In July 2008, The Regents authorized an increase in the University's commercial paper program from $550 million to $2 billion in order to reduce the number of bank line commitments, provide greater access to tax-exempt financing and preserve flexibility for future interim financing needs. In April 2010, the University entered into a $250 million revolving credit agreement with a major financial institution for the purpose of providing additional liquidity support for the commercial paper program.

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.

Obligations to UCRP for retiree health benefits

The University has financial responsibility for the campuses' and medical centers' obligation to UCRP for pension benefits associated with its defined benefit plan and for retiree health benefits. 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 on behalf of LANL and LLNL retirees based upon contractual arrangements with the DOE, and is reimbursed by the DOE.

The University's obligation to UCRP is based upon an actuarial determination of the annual pension benefit expense. The University did not have any obligations to UCRP for pension benefits prior to 2009. The funding policy contributions related to campuses and medical centers in the July 1, 2009 actuarial valuation for 2010 are $1.6 billion, which represents 20.4 percent of covered compensation. Effective April 15, 2010, the University started contributing 4 percent and employees started contributing 2 percent of covered compensation to UCRP. Employer contributions for 2010 were $65 million. The 2010 contribution rates are below the UCRP's normal cost and required contributions under the University's funding policy, causing the obligation for pension benefits to increase $1.5 billion in 2010.

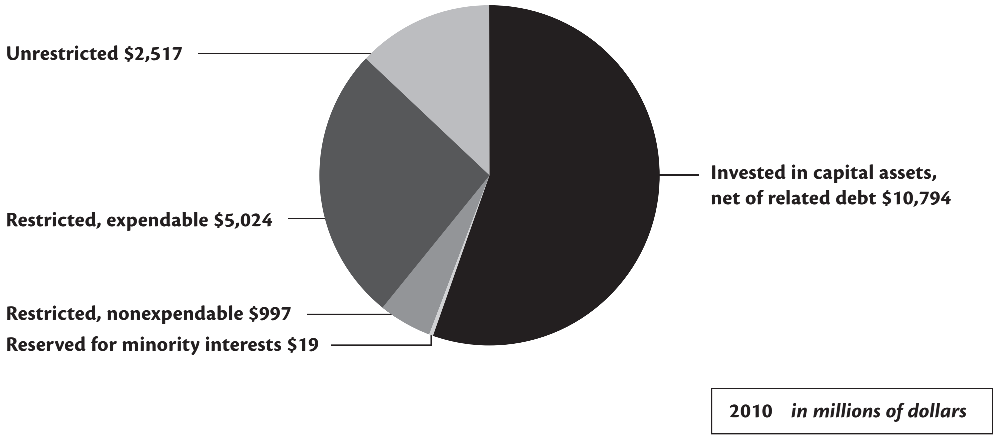
Beginning in 2008, the University's obligation for retiree health benefits is based upon an actuarial determination of the annual retiree health benefit expense. The University funds the retiree health expense for campuses and medical centers through UCRHBT based upon a projection of benefits on a pay-as-you-go basis. The increase of $1.4 billion and $1.3 billion in 2010 and 2009, respectively, in the obligation for retiree health benefits is due to the impact of amortizing the University's unfunded obligation. The unfunded liability for the campuses and medical centers as of the July 1, 2009 actuarial valuation was $14.5 billion.

Other liabilities

Other liabilities consist of accounts payable, accrued salaries, other employee benefits, deferred revenue, funds held for others, DOE laboratories' liabilities, federal refundable loans, self-insurance and obligations under life income agreements.

Other liabilities grew by $1.1 billion in 2009, largely attributable to an amount owed to the state to refund state educational appropriations. Subsequent to year end, the state of California finalized their State Budget Act that required reversion to the state of a portion of the University's 2009 state educational appropriations. As a result, accounts payable includes a liability to the state totaling $795 million, including $715 million of state educational appropriation reversions.

The University's Net Assets



Net assets represent the residual interest in the University's assets after all liabilities are deducted. The University's net assets are $19.4 billion in 2010, compared to $19.9 billion in 2009 and $22.1 billion in 2008. Net assets are reported in the following categories: invested in capital assets, net of related debt; reserved for minority interests; restricted, nonexpendable; restricted, expendable; and unrestricted.

Invested in capital assets, net of related debt

The portion of net assets 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, is $10.8 billion in 2010, compared to $10.8 billion in 2009 and $10.0 billion in 2008. The increase in 2009 represents the University's continuing investment in its physical facilities in excess of the related financing and depreciation expense.

Restricted, nonexpendable

Restricted, nonexpendable net assets include the corpus of the University's permanent endowments and the estimated fair value of certain planned giving arrangements. In 2010, the increase in nonexpendable net assets is principally due to investment performance in excess of the income distribution. In 2009, new permanent endowments of $11 million were offset by the unrealized depreciation on investments.

Restricted, expendable

Restricted, expendable net assets are subject to externally imposed restrictions governing their use. These net assets 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; trustee held investments; or other third party receipts. In 2010, the increase in restricted, expendable funds is principally related to funds held for capital projects net of unrealized appreciation in the fair value of investments related to restricted gifts and funds functioning as endowments. In 2009, net unrealized depreciation in the fair value of investments related to restricted gifts and funds functioning as endowments totaled $1.0 billion.

Unrestricted

Under generally accepted accounting principles, net assets that are not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although unrestricted net assets are not subject to externally imposed restrictions, substantially all of these net assets are allocated for academic and research initiatives or programs, for capital purposes or for other purposes. Unrestricted net assets decreased in 2010 principally due to the increases in the obligations for pension and retiree health benefits. Unrestricted net assets decreased in 2009 principally due to the increases in the obligation for retiree health benefits and the reversion of state educational appropriations for 2009 after the end of the fiscal year.

The University's Results of Operations

The statement of revenues, expenses and changes in net assets is a presentation of the University's operating results. It indicates whether the financial condition has improved or deteriorated. In accordance with 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 2010, 2009 and 2008, arranged in a format that matches the revenue supporting the core activities of the University with the expenses associated with core activities, is as follows:

(in millions of dollars)

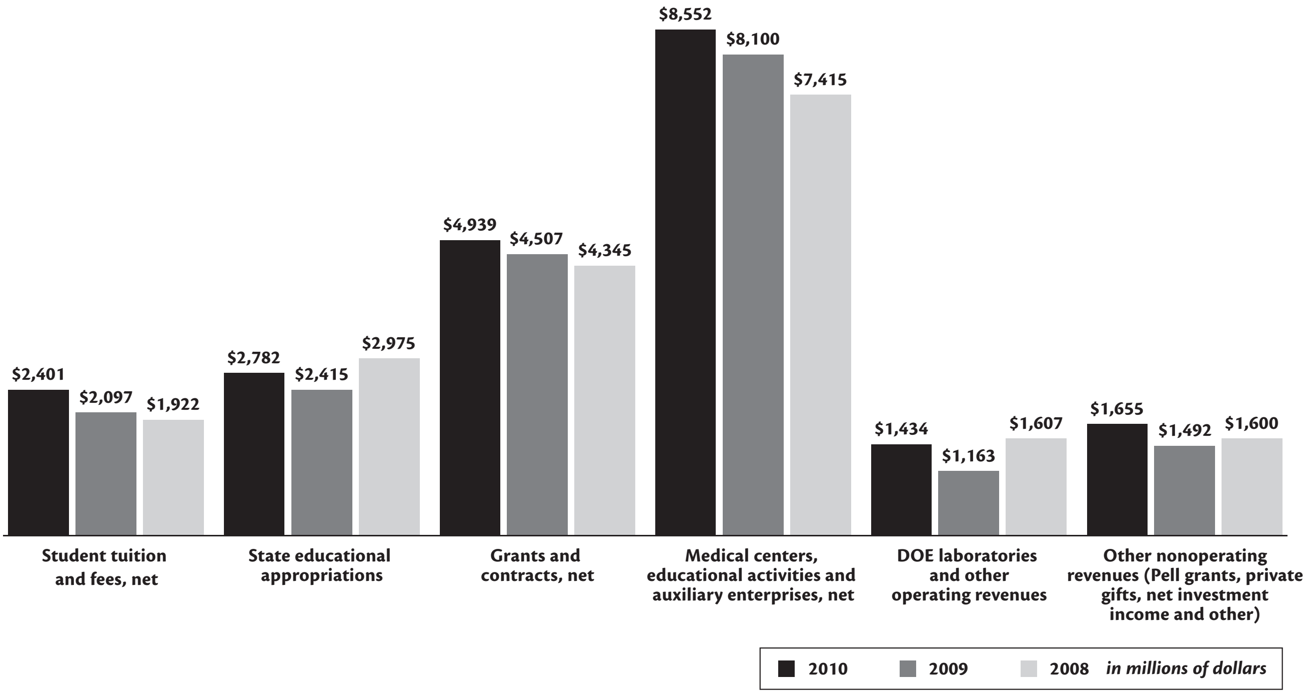
	2010			2009			2008		
	OPERATING	NONOPERATING	TOTAL	OPERATING	NONOPERATING	TOTAL	OPERATING	NONOPERATING	TOTAL
REVENUES									
Student tuition and fees, net	$ 2,401		$ 2,401	$ 2,097		$ 2,097	$ 1,922		$ 1,922
State educational appropriations		$ 2,782	2,782		$ 2,415	2,415		$ 2,975	2,975
Pell grants		298	298		201	201		170	170
Grants and contracts, net	4,939		4,939	4,507		4,507	4,345		4,345
Medical centers, educational activities and auxiliary enterprises, net	8,552		8,552	8,100		8,100	7,415		7,415
Department of Energy laboratories	910		910	668		668	1,049		1,049
Private gifts, net		794	794		664	664		734	734
Investment income, net		392	392		466	466		532	532
Other revenues	524	171	695	495	161	656	558	164	722
Revenues supporting core activities	**17,326**	**4,437**	**21,763**	**15,867**	**3,907**	**19,774**	**15,289**	**4,575**	**19,864**
EXPENSES									
Salaries and benefits	15,003		15,003	13,212		13,212	12,401		12,401
Scholarships and fellowships	531		531	451		451	428		428
Utilities	285		285	310		310	298		298
Supplies and materials	2,186		2,186	2,210		2,210	2,102		2,102
Depreciation and amortization	1,267		1,267	1,198		1,198	1,094		1,094
Department of Energy laboratories	904		904	662		662	1,039		1,039
Interest expense		460	460		356	356		400	400
Other expenses	2,752	31	2,783	2,799	29	2,828	2,793	25	2,818
Expenses associated with core activities	**22,928**	**491**	**23,419**	**20,842**	**385**	**21,227**	**20,155**	**425**	**20,580**
Income (loss) from core activities	**$ (5,602)**	**$3,946**	**(1,656)**	**$ (4,975)**	**$3,522**	**(1,453)**	**$ (4,866)**	**$4,150**	**(716)**
OTHER NONOPERATING ACTIVITIES									
Net appreciation (depreciation) in fair value of investments			771			(1,278)			(192)
Loss before other changes in net assets			**(885)**			**(2,731)**			**(908)**
OTHER CHANGES IN NET ASSETS									
State capital appropriations			160			313			394
Capital gifts and grants, net			189			155			245
Permanent endowments			11			11			35
Decrease in net assets			**(525)**			**(2,252)**			**(234)**
NET ASSETS									
Beginning of year			19,876			22,128			22,404
Effect of adoption of new accounting standard									(42)
Beginning of year, as restated									22,362
End of year			**$19,351**			**$19,876**			**$22,128**

Revenues Supporting Core Activities

Revenues to support the University's core activities, including those classified as nonoperating revenues, were $21.8 billion, $19.8 billion and $19.9 billion in 2010, 2009 and 2008, respectively. These diversified sources of revenue increased in 2010 by $2.0 billion. Revenues decreased in 2009 by $90 million.

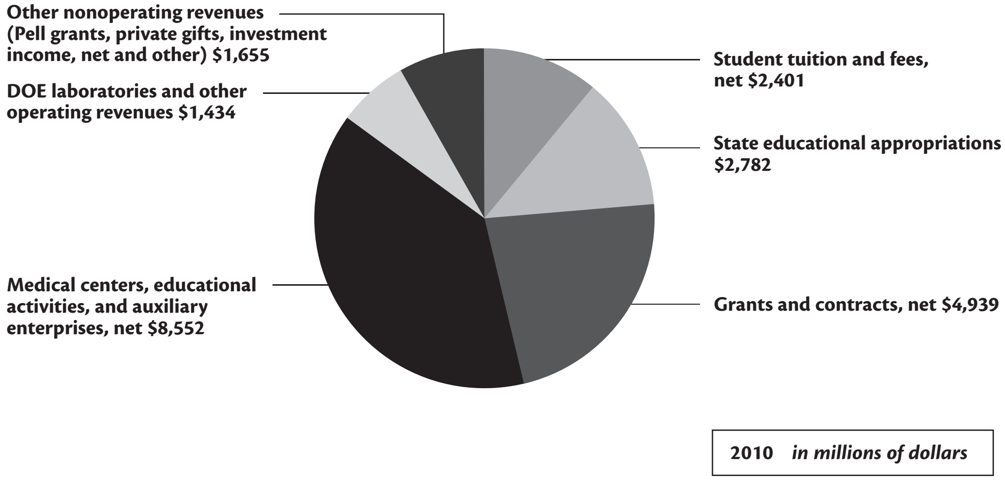
State of California educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of the University. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside 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.

Revenues in the various categories have increased and decreased over the last three years as follows:



A major financial strength of the University includes a diverse source of revenues, including those from the state of California, student fees, federally sponsored grants and contracts, medical centers, private support and self-supporting enterprises. The variety of fund sources has become increasingly important over the past several years given the effects of the state's financial crisis that required reductions in both instructional and non-instructional programs. The state is continuing its work to resolve its serious financial situation in which expenditures have continued to exceed revenues.

Categories of both operating and nonoperating revenue that supported the University's core activities in 2010 are as follows:



Student tuition and fees, net

Student tuition and fees revenue, net of scholarship allowances, increased by $304 million and $175 million in 2010 and 2009, respectively. Scholarship allowances were $666 million in 2010, $566 million in 2009 and $507 million in 2008. The increases in student tuition and fees over the past several years has generally been necessitated by growth in the demand for resources that has outpaced state educational appropriations. Consistent with past practices, approximately one-third of the revenue generated from these fee increases was used for financial aid to mitigate the impact on needy students.

In 2010, enrollment grew by 2.6 percent. Resident and non-resident undergraduate and graduate student fees were increased by 9.3 percent effective summer 2009 and 15 percent effective winter 2010. The additional mid-year increase in tuition was in response to the reduction in state educational appropriations. Professional school fee increases varied by discipline, although most degree program fees rose substantially.

In 2009, enrollment grew by 2.7 percent. Resident undergraduate and graduate student fees increased by 7.4 percent. Professional school fee increases varied by discipline, although most degree program fees rose substantially. In addition to the resident student fees, nonresident undergraduate and graduate students pay tuition. Tuition increased by 5 percent for both nonresident undergraduate and graduate students.

State educational appropriations

Educational appropriations from the state of California were $2.8 billion, $2.4 billion and $3.0 billion in 2010, 2009 and 2008, respectively. State educational appropriations increased in 2010 by $367 million and decreased by $560 million in 2009. State educational appropriations from the state of California include general fund allocations and federal pass-through funds as follows:

(in millions of dollars)

	2010	2009	2008
State general support	$ 2,334	$ 2,147	$ 2,975
Federal pass-through stimulus funds	448	268	
State educational appropriations	**$2,782**	**$2,415**	**$2,975**

The state's fiscal crisis in 2009 and 2010 necessitated special session actions by the legislature and the governor that led to mid-year budget reductions, both one-time and permanent, that took place over an 18-month period. Because of the complexity and timing of these actions, it is important to look at year-over-year changes over a two-year, rather than one-year, period. Thus, while the one-year change between 2009 and 2010 appears to reflect an increase in state educational appropriations, when compared to 2008, there was actually a decline of more than $600 million over the two-year period.

In 2009, state educational appropriations of $715 million were returned by the University subsequent to year end when the state of California finalized their State Budget Act that required reversion to the state of a portion of the University's state educational appropriations. The decline in educational appropriations is a direct result of the particularly weak economic conditions in California. State resources for enrollment growth, faculty and staff increases, and other inflationary cost increases were not available, leading to an increase in student tuition and fees.

Grants and contracts, net

Revenue from federal, state, private and local government grants and contracts—including an overall facilities and administration cost recovery of $927 million, $825 million and $779 million in 2010, 2009 and 2008, respectively—increased in both 2010 and 2009.

In 2010, federal grants and contracts revenue, including the federal facilities and administration cost recovery of $927 million, grew by $355 million, or 12.8 percent. This revenue represents support from a variety of federal agencies as indicated below:

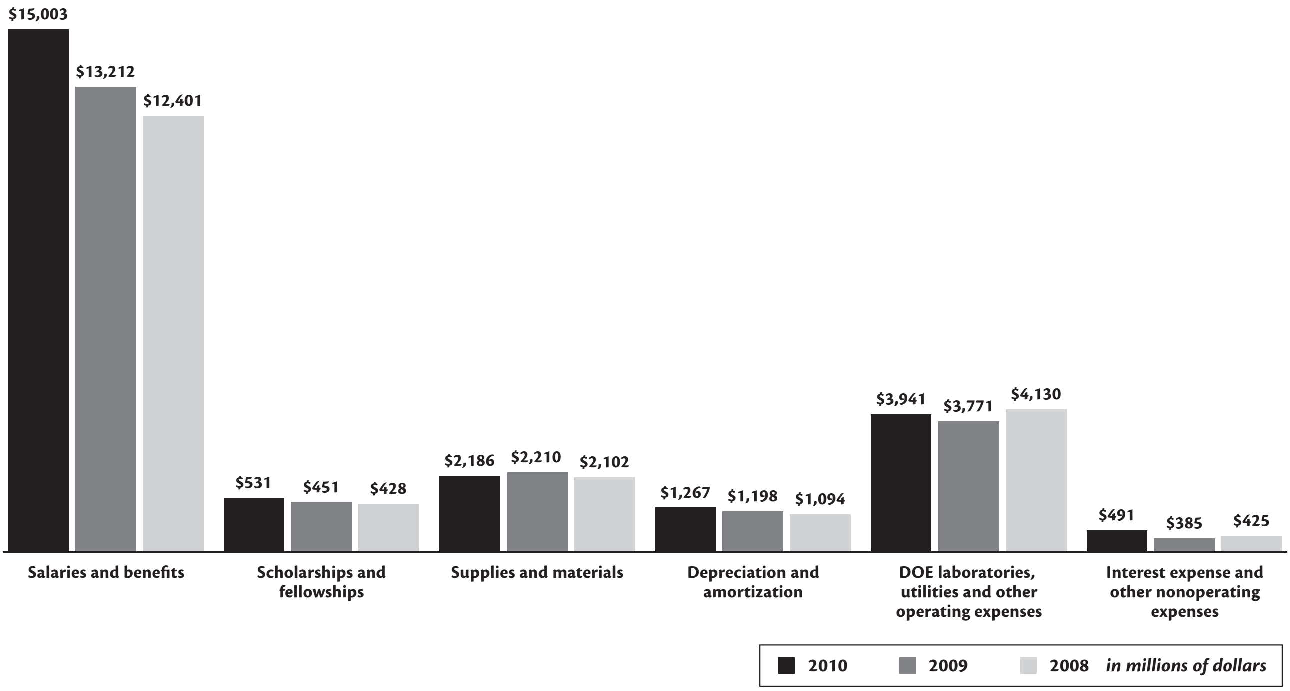
(in millions of dollars)

	2010	2009	2008
Department of Health and Human Services	$ 1,917	$ 1,728	$ 1,689
National Science Foundation	462	421	420
Department of Education	122	102	95
Department of Defense	227	197	174
National Aeronautics and Space Administration	90	86	82
Department of Energy (excluding national laboratories)	89	77	75
Other federal agencies	229	170	206
Federal grants and contracts net revenue	**$3,136**	**$2,781**	**$2,741**

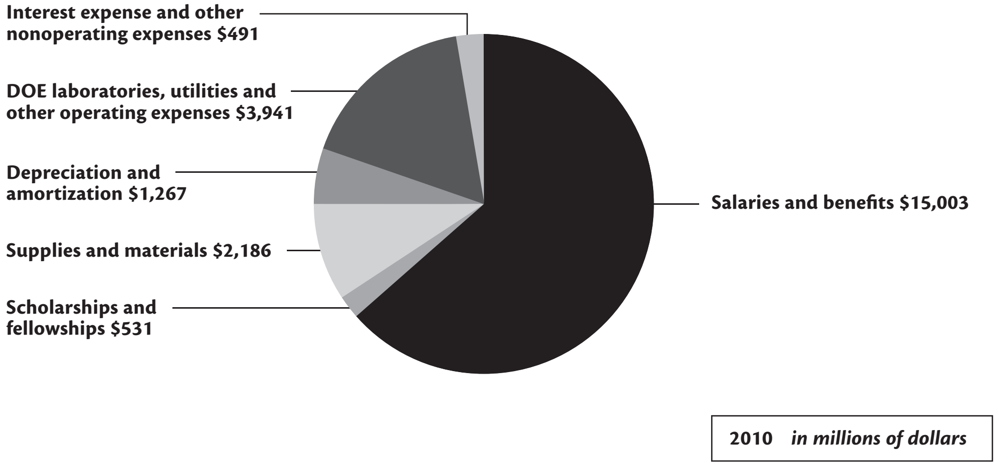
Expenses Associated with Core Activities

Expenses associated with the University's core activities, including those classified as nonoperating expenses, were $23.4 billion, $21.2 billion and $20.6 billion in 2010, 2009 and 2008, respectively. Expenses increased in 2010 by $2.2 billion, due primarily to recognition of expense for the unfunded pension obligation.

Expenses in the various categories have increased and decreased over the last three years as follows:



Categories of both operating and nonoperating expenses related to the University's core activities in 2010 are as follows:



Salaries and benefits

Over 63 percent of the University's expenses are related to salaries and benefits. There are nearly 135,000 full time equivalent (FTE) employees in the University in 2010, excluding employees who are associated with LBNL whose salaries and benefits are included as laboratory expenses. The number of employees in 2010 is unchanged from 2009. In 2010, salaries and wages remained flat from 2009 due to the scheduled salary increases for union and academic personnel offset by savings from the implementation of a furlough program that commenced in September 2009. Benefits increased primarily due to the increase in annual contributions of $1.5 billion required for pension benefits.

During 2009, salaries and benefits grew by $811 million from 2008, or 6.5 percent. Salaries and wages increased by $464 million, or 5.0 percent. Retiree health benefit expense for the University's campuses and medical centers resulting from the implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, was $1.5 billion. Other benefit costs increased primarily from growth in health insurance costs for active employees.

Scholarships and fellowships

The University places a high priority on student financial aid as part of its commitment to affordability. Scholarships and fellowships, representing payments of financial aid made directly to students and reported as an operating expense, were higher by $80 million in 2010 than in 2009, an increase of 17.7 percent, and were higher by $23 million in 2009 than in 2008, an increase of 5.5 percent. In addition, scholarship allowances, representing financial aid and fee waivers awarded by the University, are also forms of scholarship and fellowship costs that increased in 2010 by $134 million, or 18.7 percent, to $849 million and increased in 2009 by 11.5 percent to $715 million. However, scholarship allowances are reported as an offset to revenue, not as an operating expense. On a combined basis, as the University continues its commitment to provide financial support for needy students, financial aid in all forms grew to $1.4 billion in 2010 from $1.2 billion in 2009 and $1.1 billion in 2008, an increase of $313 million over the past two years, or 29 percent.

Supplies and materials

During 2010, overall supplies and materials costs decreased by $24 million, or 1.1 percent, and increased in 2009 by $108 million, or 5.2 percent. 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 research activity and student enrollment. The University continues to find opportunities to manage expenses in light of reduced state appropriations.

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 $5.6 billion in 2010, $5.0 billion in 2009 and $4.9 billion in 2008. The operating loss in 2010 was partially offset by $3.9 billion of net revenue that is required by the GASB to be classified as nonoperating, but clearly supports core operating activities of the University. Expenses associated with core activities in 2010 exceeded revenue available to support core activities by $1.7 billion.

The operating loss in 2009 was partially offset by $3.3 billion of net revenue that is required by the GASB to be classified as nonoperating, but clearly supports core operating activities of the University. Expenses associated with core activities in 2009 exceeded revenue available to support core activities by $1.5 billion.

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.

Net appreciation (depreciation) in fair value of investments

In 2010, the University recognized net appreciation in the fair value of investments of $771 million compared to net depreciation of $1.3 billion during 2009 and $192 million during 2008. Equity markets suffered losses in both 2009 and 2008, although the losses were partially offset by an increase in the fair value of certain securities in the fixed-income portfolios. Equity markets partially recovered in 2010.

Other Changes in Net Assets

Similar to other nonoperating activities discussed above, other changes in net assets 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's enrollment growth requires new facilities, in addition to continuing needs for renewal, modernization and seismic correction of existing facilities. Capital appropriations from the state of California decreased by $153 million in 2010 and $81 million in 2009. Capital appropriations are from bond measures approved by the California voters.

The University's Cash Flows

The statement of cash flows presents the significant sources and uses of cash. A summary comparison of cash flows for 2010, 2009 and 2008 is as follows:

(in millions of dollars)

	2010	2009	2008
Cash received from operations	$ 16,160	$ 15,151	$ 14,268
Cash payments for operations	(17,703)	(17,616)	(16,385)
Net cash used by operating activities	**(1,543)**	**(2,465)**	**(2,117)**
Net cash provided by noncapital financing activities	3,225	4,022	3,878
Net cash provided by operating and noncapital financing activities	**1,682**	**1,557**	**1,761**
Net cash used by capital and related financing activities	(760)	(1,800)	(1,453)
Net cash provided (used) by investing activities	(1,262)	623	(347)
Net increase (decrease) in cash	**(340)**	**380**	**(39)**
Cash, beginning of year	488	108	147
Cash, end of year	**$ 148**	**$ 488**	**$ 108**

Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts on a daily basis, although a $345 million deposit from the state at the end of 2009 was not invested in STIP until the following day creating the significant decrease in 2010 and increase in 2009.

Cash used for operating activities ranged between $1.5 billion and $2.5 billion over the last three years. In accordance with GASB requirements, certain cash flows relied upon for fundamental operational support of the core instruction mission of the University are reported as noncapital financing activities, including state educational appropriations, private gifts and grants and investment income. Cash provided by noncapital financing activities has ranged between $3.2 billion and $4.0 billion over the same three years. Cash flows from noncapital financing activities exceeded cash flows required for operating purposes by $1.7 billion in 2010, $1.6 billion in 2009 and $1.8 billion in 2008.

Due to the state's financial crisis, some payments to the University were deferred in 2010; $250 million due in July 2009 was deferred until October 2009, and $500 million was deferred until the end of 2010. The University used commercial paper to finance its operations during the deferral periods.

Subsequent to 2009, the state of California finalized their State Budget Act that required reversion to the state of $715 million of 2009 state educational appropriations previously received. Had the State Budget Act been finalized prior to the end of the year, cash flows from noncapital financing activities would have been $715 million less than reported. Cash flows from noncapital financing activities are lower in 2010 since the reversion of $715 million and other overpayments of state educational appropriations of $80 million were repaid to the state.

Net cash of $.8 billion, $1.8 billion and $1.5 billion was used in 2010, 2009 and 2008, respectively, for capital and related financing activities, primarily for purchases of capital assets and principal and interest payments, partially offset by sources that include new external financing, state and federal capital appropriations and gifts for capital purposes.

The year-to-year changes in cash provided (used) by investing activities is largely the result of the routine timing of investment purchases and, to a lesser extent, investment income.

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 these ten 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 assets presents their combined financial position at the end of the year. It displays all of the campus foundations' assets, liabilities and net assets. The difference between assets and liabilities are net assets, representing a measure of the current financial condition of the campus foundations.

The major components of the combined assets, liabilities and net assets of the campus foundations at 2010, 2009 and 2008 are as follows:

(in millions of dollars)

	2010	2009	2008
ASSETS			
Investments	$ 4,037	$ 3,525	$ 4,159
Investment of cash collateral	182	189	280
Pledges receivable, net	387	402	421
Other assets	139	213	187
Total assets	**4,745**	**4,329**	**5,047**
LIABILITIES			
Securities lending collateral	182	189	280
Obligations under life income agreements	165	162	181
Other liabilities	214	148	115
Total liabilities	**561**	**499**	**576**
NET ASSETS			
Restricted:			
Nonexpendable	2,107	1,867	1,916
Expendable	2,063	1,951	2,528
Unrestricted	14	12	27
Total net assets	**$4,184**	**$3,830**	**$4,471**

Investments in 2010 increased by $512 million and declined by $634 million in 2009 due to fluctuations in the investment 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 Investment 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 $1.0 billion, $922 million and $1.0 billion of the campus foundations' investments at the end of 2010, 2009 and 2008, respectively.

Restricted, nonexpendable net assets include the corpus of the campus foundations' permanent endowments and the estimated fair value of certain planned giving arrangements. Restricted, expendable net assets are subject to externally imposed restrictions governing their use. These net assets may be spent only in accordance with the restrictions placed upon them and may include endowment income and investment gains, subject to each individual campus foundation's spending policy; support received from gifts; trustee held investments; or other third party receipts. New gifts and net appreciation or depreciation in the fair value of investments were the primary reasons for the changes in value in 2010 and 2009.

The Campus Foundations' Results of Operations

The campus foundations' combined statement of revenues, expenses and changes in net assets is a presentation of their operating results for the year. It indicates whether their financial condition has improved or deteriorated during the year. A summarized comparison of the operating results for 2010, 2009 and 2008 is as follows:

(in millions of dollars)

	2010	2009	2008
OPERATING REVENUES			
Private gifts and other revenues	$ 427	$ 376	$ 537
Total operating revenues	**427**	**376**	**537**
OPERATING EXPENSES			
Grants to campuses and other expenses	595	458	540
Total operating expenses	**595**	**458**	**540**
Operating loss	**(168)**	**(82)**	**(3)**
NONOPERATING REVENUES (EXPENSES)			
Investment income	67	64	78
Net appreciation (depreciation) in fair value of investments	290	(743)	(143)
Other nonoperating revenues (expenses)	3	(34)	(12)
Income (loss) before other changes in net assets	**192**	**(795)**	**(80)**
OTHER CHANGES IN NET ASSETS			
Permanent endowments	162	154	180
Increase (decrease) in net assets	**354**	**(641)**	**100**
NET ASSETS			
Beginning of year	3,830	4,471	4,371
End of year	**$4,184**	**$3,830**	**$4,471**

Operating revenues generally consist of current-use gifts, including pledges and income from other fundraising activities, although they do not include additions to permanent endowments and endowment income. Operating revenues fluctuate based upon fundraising campaigns conducted by the Foundations during the year.

Operating expenses generally consist of grants to University campuses, comprised of current-use gifts and endowment income and other expenses, including gift fees. Grants to campuses typically follow the pattern indicated by private gift revenue; however, the campus' programmatic needs are also taken into consideration, subject to abiding by the designated purposes of gifts to the endowment and the amounts available for grants in any particular year.

Grants to the campuses can only be made when the cash is received and, in addition, also include endowment investment income, classified as nonoperating income. Therefore, operating losses can occur when grants distributed to the campuses in any particular year exceed private gift revenue.

The Campus Foundations' Cash Flows

The campus foundations' combined statement of cash flows presents the significant sources and uses of cash and cash equivalents. A summary comparison of cash flows for 2010, 2009 and 2008 is as follows:

(in millions of dollars)

	2010	2009	2008
Net cash provided (used) by operating activities	$(191)	$ (91)	$ 12
Net cash provided by noncapital financing activities	141	147	163
Net cash used by investing activities	(35)	(24)	(186)
Net increase (decrease) in cash and cash equivalents	**(85)**	**32**	**(11)**
Cash and cash equivalents, beginning of year	183	151	162
Cash and cash equivalents, end of year	**$ 98**	**$183**	**$151**

Cash payments for grants are an operating activity, but these payments also include investment income which is an investing activity. In addition, while the trend is for grants to campuses to coincide with contributions revenue, the timing may not always occur in the same year.

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 the University of California Retirement Plan (UCRP), a defined benefit plan for members; the University of California Retirement Savings Program (UCRSP) that includes four defined contribution plans (Defined Contribution Plan (DC Plan), Supplemental Defined Contribution Plan, 403(b) Plan and 457(b) Plan) to complement the defined benefit plan, with several investment portfolio options for participants' elective and non-elective contributions; and the California Public Employees Retirement System (PERS) Voluntary Early Retirement Incentive Plan (PERS-VERIP) for certain University employees that were members of PERS who elected early retirement.

UCRS' Financial Position and Result of Operations

The statement of plans' fiduciary net assets 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 assets. The difference between assets and liabilities are the net assets 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 PERS-VERIP. At June 30, 2010, the UCRS' assets were nearly $59.9 billion, liabilities nearly $11.2 billion and net assets held in trust for pension benefits nearly $48.7 billion, an increase of $3.9 billion from 2009. Net assets decreased in 2009 by $11.4 billion from 2008.

The major components of the assets, liabilities and net assets available for pension benefits for 2010, 2009 and 2008 are as follows:

(in millions of dollars)

	2010	2009	2008
ASSETS			
Investments	$ 45,856	$42,353	$ 52,532
Participants' interest in mutual funds	3,462	2,924	3,773
Investment of cash collateral	10,112	10,350	12,162
Other assets	449	963	889
Total assets	**59,879**	**56,590**	**69,356**
LIABILITIES			
Securities lending collateral	10,117	10,387	12,224
Other liabilities	1,076	1,404	949
Total liabilities	**11,193**	**11,791**	**13,173**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
Members' defined benefit plan benefits	34,634	32,316	42,099
Participants' defined contribution plan benefits	14,052	12,483	14,084
Total net assets held in trust for pension benefits	**$48,686**	**$44,799**	**$56,183**

The statement of changes in plans' fiduciary net assets is a presentation of the UCRS' operating results. It indicates whether the financial condition has improved or deteriorated during the year. A summarized comparison of the operating results for 2010, 2009 and 2008 is as follows:

(in millions of dollars)

	2010	2009	2008
ADDITIONS (REDUCTIONS)			
Contributions	$ 1,107	$ 929	$ 1,038
Net appreciation (depreciation) in fair value of investments	4,244	(11,325)	(4,980)
Investment and other income, net	1,192	1,512	1,888
Total additions (reductions)	**6,543**	**(8,884)**	**(2,054)**
DEDUCTIONS			
Benefit payments and participant withdrawals	2,618	2,465	2,804
Plan expenses	38	36	36
Transfer of assets to the LLNS defined benefit plan			1,568
Total deductions	**2,656**	**2,501**	**4,408**
Increase (decrease) in net assets held in trust for pension benefits	**$ 3,887**	**$(11,385)**	**$(6,462)**

The financial markets, both domestically and internationally, have been volatile in recent times and have affected the valuation of investments. The Regents utilizes asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. The overall investment gain based upon unit values for UCRS was 11.8 percent in 2010 compared to an investment loss of (16.6) percent in 2009 and an investment loss of (5.0) percent in 2008.

The participants' interest in mutual funds, representing defined contribution plan contributions to certain mutual funds on a custodial plan basis, fluctuates 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 in 2010 increased by $178 million primarily due to the restart of contributions by the University to UCRP effective April 15, 2010 and contributions of $83 million receivable from the DOE for a portion of the unfunded liability related to former employees of LLNL and LANL. The University's contributions to UCRP for 2010 were $65 million. Contributions in 2009 decreased by $109 million, partially resulting from discontinued participation in the defined contribution plans by former employees at LLNL and LANL transitioning from the University to LLNS and LANS.

Benefit payments and participant withdrawals were $152 million more in 2010 than in 2009 and $339 million less in 2009 than in 2008. Payments from UCRP increase each year due to a growing number of retirees receiving payments and cost-of-living adjustments. Benefit payments from UCRSP fluctuate based upon member withdrawals. At the beginning of 2010, there were 51,700 retirees and beneficiaries receiving payments from UCRP as compared to 50,200 at the beginning of 2009 and 47,600 at the beginning of 2008. Participant withdrawals from the Retirement Savings Plans in 2008 were unusually high as a result of former employees at LLNL transitioning from the University to LLNS.

With the selection of LLNS as the successor contractor to the University for the management of LLNL effective October 1, 2007, assets and liabilities attributable to UCRP benefits of the approximately 3,900 LLNL employees who accepted employment with LLNS and elected to participate in the defined benefit plan established by LLNS were transferred to the LLNS defined benefit plan. The market value of assets transferred as of March 31, 2008 to the LLNS defined benefit plan associated with the transitioning employees who were not retained in UCRP was $1.6 billion.

As of July 1, 2009, the date of the most recent actuarial report, the UCRP's overall funded ratio was 94.8 percent compared to 103.0 percent as of July 1, 2008. The decline in the funded status ratio is primarily attributable to the investment performance and the lack of employer and employee contributions.

Additional information on the retirement plans can be obtained from the 2010 annual reports of the University of California Retirement Plan, the University of California Retirement Savings Plans and the University of California PERS-VERIP 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 to fund such benefits on a cost-sharing basis and accumulate funds on a tax-exempt basis 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 assets presents the financial position of UCRHBT at the end of the fiscal year. It displays all of the UCRHBT's assets, liabilities and net assets. The difference between assets and liabilities are the net assets held in trust for retiree health benefits. These represent amounts available to provide retiree health benefits to its participants.

The major components of the assets, liabilities and net assets available for retiree health benefits for 2010, 2009 and 2008 are as follows:

(in millions of dollars)

	2010	2009	2008
ASSETS			
Investments	$ 32	$ 38	$ 20
Other assets	39	38	34
Total assets	**71**	**76**	**54**
LIABILITIES			
Total liabilities	**2**	**2**	**3**
NET ASSETS HELD IN TRUST FOR RETIREE HEALTH BENEFITS			
Total net assets held in trust for retiree health benefits	**$69**	**$74**	**$51**

The statement of changes in trust's fiduciary net assets is a presentation of the UCRHBT's operating results. It indicates whether the financial condition has improved or deteriorated during the year. Summarized operating results for 2010, 2009 and 2008 are as follows:

(in millions of dollars)

	2010	2009	2008
ADDITIONS			
Contributions	$254	$251	$243
Investment income, net		1	1
Total additions	**254**	**252**	**244**
DEDUCTIONS			
Insurance premiums and payments	257	226	191
Plan expenses	2	2	2
Total deductions	**259**	**228**	**193**
Increase (decrease) in net assets held in trust for retiree health benefits	**$ (5)**	**$ 24**	**$ 51**

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 unfunded actuarial accrued liability for eligible participants as of July 1, 2009, the date of the latest actuarial valuation, was $14.5 billion.

Additional information on the retiree health benefit plan can be obtained from the 2010 annual reports of the University of California Health and Welfare Plan by writing to the University of California, Office of the President, Human Resources and Benefits, Post Office Box 24570, Oakland, California 94623.

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.

In the midst of the state fiscal crisis earlier this decade, in 2006, the University entered into a six-year Compact with Governor Schwarzenegger. The funding agreement was a comprehensive statement of the minimum resources needed for the University to accommodate enrollment growth and sustain the quality of the institution. For 2006 through 2008, state funding increased by more than $550 million, allowing the University to continue enrollment growth, provide compensation increases for faculty and staff and avoid a student fee increase in 2007.

The provisions of the Compact called for the state to provide increased funding for 2009 and 2010 of at least $223 million each year. However, the state's ongoing budget deficit led the Governor to first fund the Compact provisions in 2009, consistent with the Compact, and then propose a 10 percent reduction from that higher education budget. In this way, at least initially, the Compact protected the University from greater budget reductions in 2009. As the state's latest fiscal crisis grew during 2009, proposed budget cuts for 2009 and 2010 also grew. Permanent and one-time cuts to the University's budget for 2009 totaled $814.1 million, although these reductions were to be partially offset by state Stabilization Funds authorized by the federal economic stimulus act. For 2010, permanent and one-time cuts in state funding totaled $637.1 million (from the level of state funding in 2008), essentially erasing the gains made over the earlier period of the Compact. These cuts, along with unfunded mandatory cost increases for 2009 and 2010, mean that during 2010 permanent state funding is nearly $1.1 billion below the level called for by the Compact.

The fiscal problems associated with the inability of the state to provide the funding called for in the Compact—including funding for enrollment growth of more than 15,000 students—and subsequent state funding reductions were further compounded for the University by unfunded cost increases for academic merit increases, collective bargaining agreements, health benefits costs and purchased utilities. Under the Compact, state support for the University normally would be $3.9 billion in 2011, or nearly $1.3 billion more than actual state support during 2010. However, given the ongoing fiscal crisis, it is unlikely that the state will be situated to restore earlier funding reductions, let alone provide the funding increases called for in the Compact.

In addition to the above, over the course of 2011, the state will be deferring some payments to the University; $500 million due in the first quarter of 2010 will be deferred until the end of 2011. Other deferrals are also possible.

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. While the federal government works through its own financial constraints, there is a bipartisan effort underway to focus on innovation and competitiveness for the nation. In 2010, the University attracted $700 million in additional awards for research funding from federal economic stimulus funds made available by the American Recovery and Reinvestment Act (ARRA), representing approximately 11% of the University's awards in 2010. Federal agencies have now awarded most of their ARRA funds and the funds are expected to be fully expended by 2014. The University is a unique national resource for helping the nation address competitiveness and economic initiatives.

The University's private support is a testament to its distinction as a leader in philanthropy among the nation's colleges and universities and the high regard in which its alumni, corporations, foundations and other supporters hold the University. The level of private support underscores the continued confidence among donors in the quality of the University's programs and the importance of its mission. At the same time, private support in 2011 will likely continue to reflect the changes in the economy and financial markets, the effect of which is not determinable at this time.

Additional, affordable and accessible student housing continues to be required in order to satisfy demand. Most campus residence halls are occupied at design capacity. The University is responding to increased demand by building student housing in the traditional manner, with housing fees set to generate sufficient revenue to cover direct and indirect operating costs and debt service and by seeking development opportunities for privately owned housing on University campuses.

Currently, the University does not pre-fund retiree health benefits and provides for benefits on a pay-as-you-go basis. The unfunded liability for the campuses and medical centers as of the July 1, 2009 actuarial valuation was $14.5 billion. The Regents is scheduled to consider modifications to eligibility and the University's share of contributions for retiree health care at meetings during fall 2010. The modifications to be considered include recommendations by the Post-Employment Benefits Task Force, which submitted its report to the University President in August 2010.

UCRP costs are funded by a combination of investment earnings, employee member and employer contributions. The unfunded liability for the campuses and medical centers as of the July 1, 2009 actuarial valuation was $1.9 billion or 94.8 percent funded. For the July 1, 2010, the funded ratio is expected to decrease to approximately 86 percent. The funding policy contributions related to campuses and medical centers in the July 1, 2009 actuarial valuation for 2010 are $1.6 billion, which represents 20.4 percent of covered compensation. Employer contributions for 2010 were $65 million. For 2011, the Regents authorized increasing the employer and employee contribution rates to UCRP. Contributions by employees will be increased to 3.5 percent of covered compensation in July 2011 and 5.0 percent in July 2012 and contributions by the University would be increased to 7.0 percent of covered compensation in July 2011 and 10 percent in July 2012. These proposed changes would be subject to collective bargaining for union-represented employees. The Regents is scheduled to consider modifications to benefit design for pension benefits at meetings during fall 2010. The modifications to be considered include recommendations by the Post-Employment Benefits Task Force, which submitted its report to the University President in August 2010.

The University's medical centers have demonstrated very positive financial results, although they 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 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. Over the last few years, Medicare margins have declined as a result of payment reductions. Changes to the Medi-Cal program will likely limit or reduce the rates of payment growth to the medical centers in future years. Also, as a result of state legislation, the medical centers face capital requirements to ensure that facilities can maintain uninterrupted operations following a major earthquake. While the state has provided additional capital to meet these requirements, the level of support provided will not cover the full cost to the University. Other sources of capital are required.

The continuing financial success of the medical centers is predicated on a multifaceted strategy, which includes competing in commercial markets and offering high quality regional services. Positive results in commercial contracts have helped address the lack of support for medical education and care for the poor. Further, the medical centers remain competitive in their respective markets by reducing costs through improved efficiencies, making strategic investments and by expanding their presence in the market through stronger links with other providers and payers. Payment strategies must recognize the need to maintain an operating margin sufficient to cover debt, provide working capital, purchase state-of-the-art equipment and invest in infrastructure and program expansion.

On March 23, 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. On March 30, 2010 the Health Care and Education Reconciliation Act of 2010 was signed, amending the PPACA (collectively the "Affordable Care Act"). The Affordable Care Act addresses a broad range of topics affecting the health care industry, including a significant expansion of healthcare coverage. The coverage expansion is accomplished primarily through incentives for individuals to obtain and employers to provide health care coverage and an expansion in Medicaid eligibility. The Affordability Act also includes incentives for medical research and the use of electronic health records, changes designed to curb fraud, waste and abuse, and creates new agencies and demonstration projects to promote the innovation and efficiency in the healthcare delivery system. Some provisions of the health care reform legislation are effective immediately; others will be phased in through 2014. Further legislative policies are required for several provisions that will be effective in future years. The impact of this legislation will likely affect the medical centers, the effect of the changes that will be required in future years are not determinable at this time.

AB 1383 of 2009, as amended by AB 1653 on September 8, 2010, establishes a series of Medicaid supplemental payments funded through a "quality assurance fee" (Hospital Fee Program) imposed on certain California hospitals. The effective date of the Hospital Fee Program is April 1, 2009 through December 31, 2010 and is predicated in part on the enhanced Federal Medicaid Assistance Percentage (FMAP) contained in the American Reinvestment and Recovery Act (ARRA). The Hospital Fee Program would make supplemental payments to hospitals for various health care services and support the State's effort to maintain health care coverage for children. Supplemental payments are anticipated to be made by California Department of Health Care Services (CDHS) before December 31, 2010. The medical centers, as designated public hospitals, are exempt from paying the "quality assurance fee"; however, the medical centers are eligible to receive supplemental payments under the Hospital Fee Program.

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. The support for the University's capital program will be provided from a combination of sources, including the state of California, external financing, gifts and other sources.

Additional budget information can be found at http://universityofcalifornia.edu/news/budget/welcome.html. Additional information concerning state budget matters and the state's financial condition may be found on the website of the State of California Department of Finance at http://www.dof.ca.gov.

Cautionary Note Regarding Foward-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:

In our opinion, based upon our audits, the financial statements listed in the accompanying table of contents on page 7, which collectively comprise the financial statements of the University of California (the "University"), a component unit of the State of California, present fairly, in all material respects, the respective financial position and plans' and trust's fiduciary net assets of the University, its aggregate discretely presented component units, and the University of California Retirement System (the "Plans") and the University of California Retiree Health Benefit Trust (the "Trust"), respectively, at June 30, 2010 and 2009, and the respective changes in financial position and cash flows of the University and its component units, and the changes in the Plans' and the Trust's fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits of these statements 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in the significant accounting policies in the Notes to Financial Statements, the University adopted Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as of July 1, 2009 and Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, as of July 1, 2008.

The Required Supplementary Information ("RSI") on page 97 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the RSI. However, we did not audit the information and express no opinion on it.

PricewaterhouseCoopers LLP

San Francisco, California

October 14, 2010

UNIVERSITY OF CALIFORNIA

STATEMENTS OF NET ASSETS

AT JUNE 30, 2010 AND 2009 (IN THOUSANDS OF DOLLARS)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2010	2009	2010	2009
ASSETS				
Cash and cash equivalents	$ 148,350	$ 487,943	$ 97,481	$ 183,216
Short-term investments	2,329,965	2,036,487	327,089	359,426
Investment of cash collateral	2,054,994	1,844,661	151,085	163,680
Investments held by trustees	38,077	28,055		
Accounts receivable, net	3,042,882	2,682,475	6,669	6,506
Pledges receivable, net	37,771	48,213	129,238	131,352
Current portion of notes and mortgages receivable, net	34,996	29,598	9	16
Inventories	170,532	166,229		
Department of Energy receivable	197,729	95,458		
Other current assets	166,040	144,823	1,749	4,024
Current assets	**8,221,336**	**7,563,942**	**713,320**	**848,220**
Investments	13,622,965	11,367,085	3,710,278	3,165,196
Investment of cash collateral	483,281	346,219	30,513	25,363
Investments held by trustees	1,076,669	909,105		
Pledges receivable, net	39,651	44,815	257,672	270,419
Notes and mortgages receivable, net	308,941	298,516	501	486
Department of Energy receivable	110,853	66,438		
Capital assets, net	22,463,051	21,276,915		
Other noncurrent assets	262,775	231,906	32,428	19,284
Noncurrent assets	**38,368,186**	**34,540,999**	**4,031,392**	**3,480,748**
Total assets	**46,589,522**	**42,104,941**	**4,744,712**	**4,328,968**
LIABILITIES				
Accounts payable	1,919,479	2,453,465	7,348	3,200
Accrued salaries	763,250	704,526		
Employee benefits	331,376	212,667		
Deferred revenue	933,186	960,688	13,647	
Collateral held for securities lending	2,539,504	2,199,262	181,598	189,064
Commercial paper	407,810	665,525		
Current portion of long-term debt	587,598	466,905		
Funds held for others	217,598	200,856	179,648	130,917
Department of Energy laboratories' liabilities	100,523	83,212		
Other current liabilities	907,236	840,441	21,012	19,197
Current liabilities	**8,707,560**	**8,787,547**	**403,253**	**342,378**
Federal refundable loans	223,149	219,662		
Self-insurance	431,071	434,924		
Obligations under life income agreements	26,981	28,359	143,737	142,740
Long-term debt	11,947,332	9,857,040		
Obligation to UCRP	1,607,821	68,696		
Obligations for retiree health benefits	3,773,804	2,377,128		
Other noncurrent liabilities	520,725	455,922	14,072	13,532
Noncurrent liabilities	**18,530,883**	**13,441,731**	**157,809**	**156,272**
Total liabilities	**27,238,443**	**22,229,278**	**561,062**	**498,650**
NET ASSETS				
Invested in capital assets, net of related debt	10,793,554	10,822,512		
Reserved for minority interests	19,277			
Restricted:				
Nonexpendable:				
Endowments and gifts	996,606	947,035	2,107,264	1,866,833
Expendable:				
Endowments and gifts	4,573,003	4,243,073	2,062,623	1,951,656
Other, including debt service, loans, capital projects and appropriations	451,242	314,530		
Unrestricted	2,517,397	3,548,513	13,763	11,829
Total net assets	**$19,351,079**	**$19,875,663**	**$4,183,650**	**$3,830,318**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2010 AND 2009 (IN THOUSANDS OF DOLLARS)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2010	2009	2010	2009
OPERATING REVENUES				
Student tuition and fees, net	$ 2,401,323	$ 2,096,817		
Grants and contracts, net				
Federal	3,136,216	2,781,370		
State	537,628	508,774		
Private	1,079,358	1,016,687		
Local	185,953	199,326		
Medical centers, net	5,882,111	5,496,077		
Educational activities, net	1,562,287	1,460,168		
Auxiliary enterprises, net	1,107,419	1,143,962		
Department of Energy laboratories	910,194	667,983		
Campus foundation private gifts			$ 422,643	$ 372,908
Other operating revenues, net	523,914	495,457	4,707	3,093
Total operating revenues	**17,326,403**	**15,866,621**	**427,350**	**376,001**
OPERATING EXPENSES				
Salaries and wages	9,846,671	9,822,533		
UCRP benefits	1,597,534	69,138		
Retiree health benefits	1,642,202	1,501,937		
Other employee benefits	1,916,553	1,818,301		
Scholarships and fellowships	531,314	451,263		
Utilities	284,709	309,842		
Supplies and materials	2,186,316	2,210,319		
Depreciation and amortization	1,267,134	1,197,404		
Department of Energy laboratories	903,926	661,863		
Campus foundation grants			565,952	444,730
Other operating expenses	2,752,200	2,799,176	29,013	13,496
Total operating expenses	**22,928,559**	**20,841,776**	**594,965**	**458,226**
Operating loss	**(5,602,156)**	**(4,975,155)**	**(167,615)**	**(82,225)**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	2,782,626	2,415,416		
State financing appropriations	146,502	161,128		
Build America Bonds federal interest subsidies	24,187			
Federal Pell grants	298,584	201,427		
Private gifts, net	794,244	664,103		
Investment income:				
Short Term Investment Pool and other, net	283,849	304,132		
Endowment, net	96,917	138,355		
Securities lending, net	10,842	23,843	788	2,001
Campus foundations			65,218	61,754
Net appreciation (depreciation) in fair value of investments	771,152	(1,278,281)	290,227	(742,735)
Interest expense	(460,474)	(355,882)		
Loss on disposal of capital assets	(31,491)	(26,513)		
Other nonoperating revenues (expenses), net	60	(3,209)	3,163	(33,712)
Net nonoperating revenues (expenses)	**4,716,998**	**2,244,519**	**359,396**	**(712,692)**
Income (loss) before other changes in net assets	**(885,158)**	**(2,730,636)**	**191,781**	**(794,917)**
OTHER CHANGES IN NET ASSETS				
State capital appropriations	159,777	313,019		
Capital gifts and grants, net	189,617	154,998		
Permanent endowments	11,180	10,583	161,551	154,404
Increase (decrease) in net assets	**(524,584)**	**(2,252,036)**	**353,332**	**(640,513)**
NET ASSETS				
Beginning of year, as restated	19,875,663	22,127,699	3,830,318	4,470,831
End of year	**$19,351,079**	**$19,875,663**	**$4,183,650**	**$3,830,318**

See accompanying Notes to Financial Statements

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2010 AND 2009 (IN THOUSANDS OF DOLLARS)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	$ 2,382,458	$ 2,101,915		
Grants and contracts	4,807,331	4,591,125		
Medical centers	5,785,772	5,441,705		
Educational activities	1,566,380	1,456,141		
Auxiliary enterprises	1,112,742	1,135,646		
Collection of loans from students and employees	49,853	46,649		
Campus foundation private gifts			$ 391,275	$ 387,261
Payments to employees	(9,715,290)	(9,790,445)		
Payments to suppliers and utilities	(5,142,595)	(5,232,710)		
Payments for UCRP benefits	(45,709)	(2,371)		
Payments for retiree health benefits	(244,582)	(244,387)		
Payments for other employee benefits	(1,959,413)	(1,840,797)		
Payments for scholarships and fellowships	(531,000)	(450,360)		
Loans issued to students and and employees	(64,916)	(54,394)		
Payments to campuses and beneficiaries			(584,274)	(471,544)
Other receipts (payments)	455,562	377,118	1,719	(6,468)
Net cash used by operating activities	**(1,543,407)**	**(2,465,165)**	**(191,280)**	**(90,751)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	2,789,740	3,217,312		
Refunds of state educational appropriations	(795,000)			
Federal Pell grants	294,862	201,125		
Gifts received for other than capital purposes:				
Private gifts for endowment purposes	12,076	10,338	138,323	147,920
Other private gifts	793,012	660,890		
Receipt of retiree health contributions from UCRP	18,129	14,512		
Payment of retiree health contributions to UCRHBT	(17,514)	(14,680)		
Receipts from UCRHBT	260,398	232,460		
Payments for retiree health benefits made on behalf of UCRHBT	(260,473)	(233,242)		
Student direct lending receipts	675,177	601,227		
Student direct lending payments	(675,177)	(601,227)		
Commercial paper financing:				
Proceeds from issuance	639,475			
Payments of principal	(500,000)			
Other receipts (payments)	(9,391)	(66,167)	2,332	(362)
Net cash provided by noncapital financing activities	**3,225,314**	**4,022,548**	**140,655**	**147,558**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	189,194	891,647		
Payments of principal	(586,384)	(776,122)		
Interest paid	(2,514)	(7,514)		
State capital appropriations	183,857	296,683		
State financing appropriations	10,026	7,317		
Build America Bonds federal interest subsidies	19,181			
Capital gifts and grants	135,764	100,762		
Proceeds from debt issuance	2,473,681	1,429,379		
Proceeds from the sale of capital assets	1,243	1,454		
Proceeds from insurance recoveries	1,500			
Purchase of capital assets	(2,279,641)	(2,875,925)		
Refinancing or prepayment of outstanding debt	(167,318)	(87,516)		
Scheduled principal paid on debt and capital leases	(286,126)	(472,186)		
Interest paid on debt and capital leases	(452,267)	(339,788)		
Other receipts		31,348		
Net cash used by capital and related financing activities	**(759,804)**	**(1,800,461)**		

See accompanying Notes to Financial Statements

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2010 AND 2009 (IN THOUSANDS OF DOLLARS)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2010	2009	2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	$ 54,025,091	$ 66,382,974	$ 571,109	$ 526,138
Purchase of investments	(55,669,584)	(66,218,195)	(671,245)	(616,413)
Investment income, net of investment expenses	382,797	458,226	65,026	66,024
Net cash provided (used) by investing activities	**(1,261,696)**	**623,005**	**(35,110)**	**(24,251)**
Net increase (decrease) in cash and cash equivalents	**(339,593)**	**379,927**	**(85,735)**	**32,556**
Cash and cash equivalents, beginning of year	487,943	108,016	183,216	150,660
Cash and cash equivalents, end of year	**$ 148,350**	**$ 487,943**	**$ 97,481**	**$183,216**

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating loss	$ (5,602,156)	$ (4,975,155)	$ (167,615)	$ (82,225)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation and amortization expense	1,267,134	1,197,404		
Noncash gifts			(26,482)	(6,520)
Allowance for doubtful accounts	44,000	49,602	21,061	19,253
Loss on impairment of capital assets	22,803			
Change in assets and liabilities:				
Investments			(942)	(743)
Accounts receivable	(426,247)	(54,907)	2,359	5,394
Pledges receivable			(6,221)	(346)
Investments held by trustees	(12,299)	(31,849)		
Inventories	(4,303)	(8,309)		
Other assets	(29,061)	(11,847)	(2,738)	4,173
Accounts payable	(1,034)	474	1,957	(5,290)
Accrued salaries	58,724	(828)		
Employee benefits	117,564	40,838		
Deferred revenue	(25,794)	3,928	(98)	498
Self-insurance	(12,059)	1,274		
Obligations to life beneficiaries			(13,238)	(20,444)
Obligation to UCRP	1,532,701	68,696		
Obligations for retiree health benefits	1,396,676	1,258,374		
Other liabilities	129,944	(2,860)	677	(4,501)
Net cash used by operating activities	**$(1,543,407)**	**$(2,465,165)**	**$(191,280)**	**$ (90,751)**

SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired through capital leases	$ 58,828	$ 76,213		
Capital assets acquired with a liability at year-end	101,516	93,164		
Change in fair value of interest rate swaps classified as hedging derivatives	(15,978)	(13,441)		
Gifts of capital assets	52,080	28,954	$ 508	$ 303
Other noncash gifts	18,432	17,563	62,093	29,389
Proceeds from lease revenue bonds issued	271,059	206,830		
Debt service for, or refinancing of, lease revenue bonds				
Principal paid	(93,275)	(96,658)		
Interest paid	(103,632)	(104,797)		
Refinancing of interim loans under lease-purchase agreements		(147,970)		
Interest added to principal			655	1,061
Beneficial interest in charitable remainder trust			4,867	4,768

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM AND RETIREE HEALTH BENEFIT TRUST

STATEMENTS OF PLANS' AND TRUST'S FIDUCIARY NET ASSETS

AT JUNE 30, 2010 AND 2009 (IN THOUSANDS OF DOLLARS)

	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)		UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)		TOTAL UCRS AND UCRHBT	
	2010	2009	2010	2009	2010	2009
ASSETS						
Investments	$ 45,855,690	$ 42,352,723	$ 32,509	$ 38,384	$ 45,888,199	$ 42,391,107
Participants' interest in mutual funds	3,461,615	2,923,695			3,461,615	2,923,695
Investment of cash collateral	10,112,188	10,350,285			10,112,188	10,350,285
Participant 403(b) loans	126,694	107,192			126,694	107,192
Accounts receivable:						
Contributions from University and affiliates	163,236	59,449	18,183	15,994	181,419	75,443
Investment income	105,433	113,586	7	18	105,440	113,604
Securities sales and other	54,190	683,085	1,078	4,632	55,268	687,717
Prepaid insurance premiums			19,763	17,403	19,763	17,403
Total assets	**59,879,046**	**56,590,015**	**71,540**	**76,431**	**59,950,586**	**56,666,446**
LIABILITIES						
Payable to University			2,186	2,061	2,186	2,061
Payable for securities purchased	868,642	1,213,209			868,642	1,213,209
Member withdrawals, refunds and other payables	207,200	191,091			207,200	191,091
Collateral held for securities lending	10,116,795	10,387,181			10,116,795	10,387,181
Total liabilities	**11,192,637**	**11,791,481**	**2,186**	**2,061**	**11,194,823**	**11,793,542**
NET ASSETS HELD IN TRUST						
Members' defined benefit plan benefits	34,633,878	32,315,482			34,633,878	32,315,482
Participants' defined contribution plan benefits	14,052,531	12,483,052			14,052,531	12,483,052
Retiree health benefits			69,354	74,370	69,354	74,370
Total net assets held in trust	**$48,686,409**	**$44,798,534**	**$69,354**	**$74,370**	**$48,755,763**	**$44,872,904**

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 ASSETS

YEARS ENDED JUNE 30, 2010 AND 2009 (IN THOUSANDS OF DOLLARS)

	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)		UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)		TOTAL UCRS AND UCRHBT	
	2010	2009	2010	2009	2010	2009
ADDITIONS (REDUCTIONS)						
Contributions:						
Members and employees	$ 951,025	$ 920,940			$ 951,025	$ 920,940
Retirees			$ 19,345	$ 15,895	19,345	15,895
University	155,749	8,044	234,692	235,115	390,441	243,159
Total contributions	**1,106,774**	**928,984**	**254,037**	**251,010**	**1,360,811**	**1,179,994**
Investment income (expense), net:						
Net appreciation (depreciation) in fair value of investments	4,243,820	(11,324,769)			4,243,820	(11,324,769)
Interest, dividends and other investment income	1,135,923	1,395,099	97	528	1,136,020	1,395,627
Securities lending income	74,831	217,438			74,831	217,438
Securities lending fees and rebates	(23,041)	(105,682)			(23,041)	(105,682)
Total investment income (expense), net	**5,431,533**	**(9,817,914)**	**97**	**528**	**5,431,630**	**(9,817,386)**
Interest income from contributions receivable	4,756	5,246			4,756	5,246
Total additions (reductions)	**6,543,063**	**(8,883,684)**	**254,134**	**251,538**	**6,797,197**	**(8,632,146)**
DEDUCTIONS						
Benefit payments:						
Retirement payments	1,382,587	1,287,572			1,382,587	1,287,572
Member withdrawals	76,485	78,794			76,485	78,794
Cost-of-living adjustments	256,400	235,134			256,400	235,134
Lump sum cashouts	190,492	156,572			190,492	156,572
Preretirement surivor payments	34,752	33,487			34,752	33,487
Disability payments	35,331	35,984			35,331	35,984
Death payments	6,377	6,462			6,377	6,462
Participant withdrawals	634,895	630,889			634,895	630,889
Total benefit payments	**2,617,319**	**2,464,894**			**2,617,319**	**2,464,894**
Insurance premiums:						
Insured plans			205,924	177,246	205,924	177,246
Self-insured plans			28,161	26,510	28,161	26,510
Medicare Part B reimbursements			23,520	22,211	23,520	22,211
Total insurance premiums, net			**257,605**	**225,967**	**257,605**	**225,967**
Expenses:						
Plan administration	36,246	34,911	1,545	2,005	37,791	36,916
Other	1,623	1,519			1,623	1,519
Total expenses	**37,869**	**36,430**	**1,545**	**2,005**	**39,414**	**38,435**
Total deductions	**2,655,188**	**2,501,324**	**259,150**	**227,972**	**2,914,338**	**2,729,296**
Increase (decrease) in net assets held in trust	**3,887,875**	**(11,385,008)**	**(5,016)**	**23,566**	**3,882,859**	**(11,361,442)**
NET ASSETS HELD IN TRUST						
Beginning of year	44,798,534	56,183,542	74,370	50,804	44,872,904	56,234,346
End of year	**$48,686,409**	**$ 44,798,534**	**$ 69,354**	**$ 74,370**	**$48,755,763**	**$ 44,872,904**

See accompanying Notes to Financial Statements

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 general purpose 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 fiduciary responsibility for these organizations. 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. Organizations that are not significant or financially accountable to the University, 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 assets. The statement of revenues, expenses and changes in net assets excludes the activities associated with these organizations.

The University has ten legally separate, tax-exempt, affiliated campus foundations. The combined financial statements of the University of California campus foundations (campus foundations) are presented discretely in the University's financial statements because of the nature and significance of their relationship with the University, including their ongoing financial support of the University. Campus foundations may invest all or a portion of their investments in University-managed investment pools. Securities in these investment pools are included in the University's securities 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 displayed in the campus foundations' column.

Specific assets and liabilities and all revenues and expenses associated with the Lawrence Berkeley National Laboratory (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 financial statements.

The Regents has fiduciary responsibility for the University of California Retirement System (UCRS) that includes two defined benefit plans, the University of California Retirement Plan (UCRP) and the University of California Public Employees' Retirement System (PERS) Voluntary Early Retirement Incentive Plan (PERS–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 assets and changes in plans' fiduciary net assets are shown separately in the University's financial statements.

The Regents also has fiduciary responsibility for the University of California Retiree Health Benefit Trust (UCRHBT). The UCRHBT statements of trust's fiduciary net assets and changes in trust's fiduciary net assets are shown separately 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 to fund such benefits on a cost-sharing basis and 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, including all applicable effective statements of the Governmental Accounting Standards Board (GASB) and all statements of the Financial Accounting Standards Board issued through November 30, 1989, using the economic resources measurement focus and the accrual basis of accounting.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, was adopted by the University during the year ended June 30, 2010. This Statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. Implementation of Statement No. 51 had no effect on the University's net assets or changes in net assets for the years ended June 30, 2010 and 2009.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, was also adopted during the year ended June 30, 2010. Statement No. 53 requires the University to report its derivative instruments at fair value. Changes in fair value for effective hedges that are achieved with derivative instruments are to be reported as deferrals in the statement of net assets. Derivative instruments that either do not meet the criteria for an effective hedge or are associated with investments that are already reported at fair value are to be classified as investment derivative instruments. Changes in fair value of those derivative instruments are to be reported as net appreciation or depreciation in the fair value of investments. Upon adoption of Statement No. 53, retrospective application is required.

The University holds futures contracts, foreign exchange contracts, forward contracts to purchase securities on a to-be-announced basis and interest rate swaps. The futures contracts, foreign exchange contracts and forward contracts to purchase securities on a to-be-announced basis are considered investment derivative instruments with the changes in fair value being reported as net appreciation or depreciation in the fair value of investments in the statement of revenues, expenses and changes in net assets.

The University has determined that the interest rate swaps entered into in conjunction with certain variable rate Medical Center Pooled Revenue Bonds are derivative instruments that meet the criteria for an effective hedge. Certain of the interest rate swaps are considered hybrid instruments under Statement No. 53, since at the time of execution, the fixed rate on each of the swaps was off-market and the University received an up-front payment. As such, these swaps are comprised of a derivative instrument, an at-the-market swap that is an effective hedge, and a companion instrument, a borrowing represented by the up-front payment. The unamortized amount of the borrowings for the companion instruments was $31.0 million at June 30, 2009.

The fair value of interest rate swaps was not previously reported on the statement of net assets. Changes in the fair value of interest rate swaps previously were not recognized in the statement of revenues, expenses and changes in net assets. Since the interest rate swaps meet the criteria for an effective hedge, there was no restatement for the cumulative effect on previously reported net assets as of July 1, 2008. However, the University has restated the 2009 financial statements for purposes of presenting comparative information for the year ended June 30, 2010. The effect of the changes from the adoption of Statement No. 53 on the University's financial statements for the year ended June 30, 2009 was as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		
	YEAR ENDED JUNE 30, 2009		
	AS PREVIOUSLY REPORTED	EFFECT OF ADOPTION OF STATEMENT NO. 53	AS RESTATED
Statement of Net Assets			
Other noncurrent assets	$ 183,802	$48,104	$ 231,906
Noncurrent assets	34,492,895	48,104	34,540,999
Total assets	42,056,837	48,104	42,104,941
Other noncurrent liabilities	407,818	48,104	455,922
Noncurrent liabilities	13,393,627	48,104	13,441,731
Total liabilities	22,181,174	48,104	22,229,278

In addition, the University reclassified the unamortized portion of the borrowings totaling $31.0 million ($0.5 million current portion and $30.5 million non-current portion) from deferred financing costs to debt. Since deferred financing costs are reported as a component of debt, there was no effect on the statement of net assets.

The adoption of Statements No. 51 and 53 did not result in any adjustments to the financial statements of the campus foundations, UCRS or UCRHBT.

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 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 recorded 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 an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Certain securities may be valued on a basis of a price provided by a single source.

As a result of inactive or illiquid markets, investments in non-agency mortgage-backed fixed income securities are valued on the basis of their estimated future principal and interest payments using appropriate risk-adjusted discount rates. The University believes this approximates the fair value of these investments.

Investments also include private equities, absolute return funds and real estate. Private equities include venture capital partnerships, buyout and international funds. Interests in private equity and real estate partnerships are based upon valuations provided by the general partners of the respective partnerships as of March 31, adjusted for cash receipts, cash disbursements and securities distributions through June 30. Investments in absolute return partnerships are valued as of May 31, adjusted for cash receipts and cash disbursements through June 30. Interests in certain direct investments in real estate are estimated based upon independent appraisals. The University believes the carrying amount of these financial instruments and real estate is a reasonable estimate of fair value at June 30. Because the private equity, real estate 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.

Investments in registered investment companies are valued based upon the reported net asset value of those companies. Mortgage loans, held as investments, are valued on the basis of their future principal and interest payments, discounted at prevailing interest rates for similar instruments. Insurance contracts are valued at contract value, plus reinvested interest, which approximates fair value. Estimates of the fair value of interests in externally held irrevocable trusts where the University is the beneficiary of either the income or the remainder that will not become a permanent endowment upon distribution to the University are based upon the present value of the expected future income or, if available, the University's proportional interest in the fair value of the trust assets.

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 assets.

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.

Derivative financial instruments. Derivative instruments are recorded at fair value. Futures contracts, foreign currency exchange contracts and forward contracts to purchase securities on a to-be-announced basis are valued at the last sales price on the last day of the fiscal year, as quoted on a recognized exchange or an industry standard pricing service, when available. Financial institutions or independent advisors have estimated the fair value of the interest rate 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 fair value as either assets or liabilities in the statement of net assets. 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). Deferred inflows are included with other liabilities and deferred outflows with other assets in the statement of net assets.

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 assets.

Participants' interest 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, includes 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 for services.

Pledges receivable, net. Unconditional pledges of private gifts to the University or to the campus foundations in the future, net of allowance for uncollectible amounts, are recorded as pledges receivable and revenue in the year promised at the present value of expected cash flows. Conditional pledges, including all pledges of endowments and intentions to pledge, are recognized as receivables and revenues when the specified conditions are met.

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

Inventories. Inventories, 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 net realizable value.

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 assets. 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 two separate joint ventures, Los Alamos National Security, LLC (LANS), formed June 1, 2006, and Lawrence Livermore National Security, LLC (LLNS), formed October 1, 2007, that operate and manage two other DOE laboratories. LANS and LLNS operate and manage Los Alamos National Laboratory (LANL) and Lawrence Livermore National Laboratory (LLNL), respectively, under contracts directly with the DOE.

The University has an ongoing financial interest and financial responsibility in these separate entities, along with the other members, and the organizations are jointly controlled by the University and another member. The assets and liabilities and revenues and expenses of these joint ventures are not included in the University's financial statements. The University's investment in LANS and LLNS is accounted for using the equity method. Accordingly, the University's statement of net assets includes its equity interest in LANS and LLNS, adjusted for the equity in undistributed earnings or losses and the statement of revenues, expenses and changes in net assets 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 assets for pension or retiree health obligations related to these laboratories, the University records a receivable from the DOE. The University's statement of cash flows includes the cash flows related to DOE reimbursements for pension and/or health benefits attributable to any of these laboratories.

Capital assets. Land, infrastructure, buildings and improvements, intangible assets, equipment, libraries and collections and special collections are recorded at cost at the date of acquisition, or estimated fair value at the date of donation in the case of gifts. Estimates of fair 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 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. 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. 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:

Infrastructure	25 years
Buildings and improvements	15–33 years
Equipment	2–20 years
Computer software	3–7 years
Intangible assets	2 years–indefinite
Library books and collections	15 years

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

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

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned on tax-exempt borrowings during the temporary investment of project-related borrowings.

Deferred revenue. Deferred 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 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 assets includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Obligations under life income agreements. Obligations under life income agreements represent actuarially-determined liabilities under gift annuity and life income contracts.

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.

Net assets. Net assets are required to be classified for accounting and reporting purposes into the following categories:

> ***Invested in capital assets, net of related debt.*** 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.
>
> ***Reserved for minority interests.*** This category includes net assets of legally separate organizations attributable to other participants.

Restricted. The University and campus foundations classify net assets resulting from transactions with purpose restrictions as restricted net assets until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.

Nonexpendable. Net assets subject to externally-imposed restrictions, which must be retained in perpetuity by the University or the campus foundations, are classified as nonexpendable net assets. Such assets include the University and campus foundation permanent endowment funds.

Expendable. Net assets whose use by the University or the 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 are classified as expendable net assets.

Unrestricted. Net assets that are neither reserved, restricted nor invested in capital assets, net of related debt, are classified as unrestricted net assets. The University's unrestricted net assets may be designated for specific purposes by management or The Regents. The campus foundations' unrestricted net assets may be designated for specific purposes by their Boards of Trustees. Substantially all of the University's unrestricted net assets are allocated for academic and research initiatives or programs, for capital programs or for other purposes.

Expenses are charged to either restricted or unrestricted net assets based upon a variety of factors, including 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.

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 assets 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. Private gift or capital gift revenues associated with campus foundation grants to the University are recorded by the University as the gifts are made.

Nonoperating revenues and expenses include state educational appropriations, state financing appropriations, Build America Bonds federal interest subsidies, federal Pell grants, private gifts for other than capital purposes, investment income, net unrealized appreciation or depreciation in the fair value of investments, interest expense and gain or loss on the disposal of capital assets.

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

Student tuition and fees. Substantially all of the student tuition and fees provide for 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. Certain waivers of student tuition and fees considered to be scholarship allowances are recorded as an offset to revenue.

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 are incurred to support either educational operations or other specific operating purposes. State financing appropriations provide for principal and interest payments associated with lease-purchase agreements with the State Public Works Board and are also reported as nonoperating revenue. State appropriations for capital projects are recorded as revenue under other changes in net assets 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, 2010, the facilities and administrative cost recovery totaled $920.6 million, $701.0 million from federally-sponsored programs and $219.6 million from other sponsors. For the year ended June 30, 2009, the facilities and administrative cost recovery totaled $824.9 million, $621.6 million from federally-sponsored programs and $203.3 million from other sponsors.

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

Scholarship allowances. The University recognizes scholarship allowances, including both financial aid and fee waivers, 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, as well as third parties making payments on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances in the following amounts are recorded as an offset to the following revenues for the years ended June 30, 2010 and 2009:

(in thousands of dollars)

	2010	2009
Student tuition and fees	$ 666,242	$ 565,785
Auxiliary enterprises	174,304	142,143
Other operating revenues	8,410	7,078
Scholarship allowances	**$848,956**	**$715,006**

UCRP benefits and obligation to UCRP. The University's cost for campus and medical center UCRP benefits expense is based upon the annual required contribution to UCRP, as actuarially determined. Campus and medical center contributions toward UCRP benefits, at rates determined by the University, are made to UCRP and reduce the University's obligation to UCRP in the statement of net assets.

Both current employees and retirees at LBNL participate in UCRP. Current employees at both LANL and LLNL are no longer accruing benefits in UCRP. However, UCRP retains the obligation for retirees and terminated vested members at these locations as of the date these contracts were terminated. The annual required contribution for the combined DOE laboratories is actuarially determined, independently from the campuses and medical centers, and included with the DOE laboratory expense in the statement of revenues, expenses and changes in net assets.

The University makes contributions to UCRP for LBNL employees and is reimbursed by the DOE, based upon rates that are identical to those authorized by The Regents for campus and medical center employees. The University also makes contributions to UCRP for LANL and LLNL retirees and terminated vested members, whose benefits were retained in UCRP, based upon a contractual arrangement with the DOE that incorporates a formula targeted to maintain the LANL and LLNL segments within UCRP for these retirees and terminated vested members at the time the joint ventures were formed at a 100 percent funded level. These contributions reduce the University's obligation to UCRP in the statement of net assets. These University contributions are also reimbursed by the DOE. The reimbursement from the DOE is included as DOE laboratory revenue in the statement of revenues, expenses and changes in net assets.

The University records a receivable from the DOE for the portion of the University's obligation to UCRP attributable to the DOE laboratories.

Campus and medical center contributions to UCRP, University contributions to UCRP for the DOE national laboratories, and the corresponding reimbursements from the DOE are operating activities in the statement of cash flows.

Retiree health benefits and obligations for retiree health benefits. The University's cost for campus and medical center retiree health benefits expense is based upon the annual required contribution to the retiree health plan, as actuarially determined. Campus and medical center contributions toward retiree health benefits, at rates determined by the University, are made to UCRHBT and reduce the obligation for retiree health benefits in the statement of net assets.

LBNL participates in the University's retiree health plans. The annual required contribution for LBNL is actuarially determined independently from the University's campuses and medical centers, and included with the DOE laboratory expense in the statement of revenues, expenses and changes in net 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. These contributions, in the form of direct payments, also reduce the University's obligation for retiree health benefits in the statement of net assets. The reimbursement from the DOE is included as DOE laboratory revenue in the statement of revenues, expenses and changes in net assets.

The University records a receivable from the DOE for the DOE's portion of the University's obligation for retiree health benefits attributable to LBNL. The University does not have any obligation for LANL or LLNL retiree health benefit costs since they 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 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. The University also remits these retiree contributions to UCRHBT.

The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees who previously worked at a campus or medical center. UCRHBT reimburses the University for these amounts.

LBNL does not participate in UCRHBT; therefore, the DOE has no interest in the Trust's 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). Because the University is a state institution, related income received by the University is also exempt from federal tax under IRC Section 115(a). 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 exempt under Section 501(c)(3). Income received by UCRHBT is tax-exempt under 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.

Comparative information. In connection with the preparation of the June 30, 2010 statement of revenues, expenses and changes in net assets, the University concluded that $201 million of federal Pell grants should have been reported as non-operating revenues rather than federal grants and contracts for the year ended June 30, 2009.

The effect on the prior period financial statements is not material. However, management elected to make the revisions in classification to the 2009 presentation to conform to the 2010 presentation. This revision in classification to the University's 2009 financial statements resulted in a decrease in operating revenues and an increase in non-operating revenues of $201 million. Additionally, cash flows used by operating activities and cash flows provided by noncapital financing activities have been increased by $201 million. This revision had no effect on the previously reported decrease in net assets; total assets, liabilities and net assets; or net decrease in cash and cash equivalents.

1. CASH AND CASH EQUIVALENTS

The University maintains centralized management for substantially all of its cash. 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, 2010 and 2009, the carrying amount of the University's demand deposits, generally held in five nationally recognized banking institutions, was $148.4 million and $487.9 million, respectively, compared to bank balances of $119.0 and $463.8 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. Bank balances in excess of the Federal Deposit Insurance Corporation (FDIC) limits are collateralized by U.S. government securities held in the name of the bank.

The University does not have a 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 were $2.4 million and $2.2 million at June 30, 2010 and 2009, respectively.

The carrying amount of the campus foundations' cash and cash equivalents at June 30, 2010 and 2009 was $97.5 million and $183.2 million, respectively, compared to bank balances of $67.5 million and $106.9 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. Included in bank balances are deposits in the University's Short Term Investment Pool of $29.4 million and $64.5 million at June 30, 2010 and 2009, respectively, with the remaining uncollateralized bank balances insured by the FDIC. The campus foundations do not have exposure to foreign currency risk in their cash and cash equivalents.

2. INVESTMENTS

The Regents, as the governing Board, is responsible for the oversight of the University's, UCRS' and UCRHBT's investments and establishes 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), General Endowment Pool (GEP), UCRS, UCRHBT, 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 allocation guidelines are provided to the campus foundations by the Investment 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 up to 40 years.

TRIP allows participant campuses the opportunity to maximize the return on their long-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 and fixed income securities.

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, or represent the University's estimated interest in externally held irrevocable trusts.

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 a modest 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 both GEP and the UCRS. Absolute return strategies, which may incorporate short sales, plus derivative positions to implement or hedge an investment position, are also authorized for the GEP and UCRS.

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. They are not used for speculative purposes.

The Regents has also authorized certain employee account balances in defined contribution plans included as part of the UCRS' investments to be invested in mutual funds. The participants' interest in mutual funds is not managed by the Chief Investment Officer and totaled $3.5 billion and $2.9 billion at June 30, 2010 and 2009, 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 29 days. The fair value of UCRHBT's investment in this portfolio was $32.5 million and $38.4 million at June 30, 2010 and 2009, respectively.

Campus foundations' investments in pools managed by the Chief Investment Officer are classified for investment type purposes as either commingled balanced funds or commingled money market funds in the campus foundations' column depending on whether they are invested in GEP or STIP, respectively. Similarly, UCRS' investment in STIP is classified in the commingled money market category in the UCRS column.

The composition of investments, by investment type at June 30, 2010 and 2009 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Equity securities:						
Domestic	$ 1,264,707	$ 1,185,717	$ 173,667	$ 146,234	$ 12,164,910	$ 12,154,599
Foreign	1,075,116	1,061,919	64,137	68,064	7,496,642	7,494,296
Equity securities	**2,339,823**	**2,247,636**	**237,804**	**214,298**	**19,661,552**	**19,648,895**
Fixed or variable income securities:						
U.S. government guaranteed:						
U.S. Treasury bills, notes and bonds	1,317,700	1,113,945	125,867	99,449	2,109,853	2,368,476
U.S. Treasury strips	87,620	69,125			169,169	101,463
U.S. TIPS	234,746	272,345			3,180,776	2,649,386
U.S. government-backed securities		3,331	2,772	3,267	16,061	12,964
U.S. government-backed–asset-backed securities			193	266		
U.S. government guaranteed	**1,640,066**	**1,458,746**	**128,832**	**102,982**	**5,475,859**	**5,132,289**
Other U.S. dollar denominated:						
Corporate bonds	4,371,756	4,053,628	74,365	76,231	2,389,096	2,245,234
Commercial paper	1,746,836	1,283,124				
U.S. agencies	1,569,144	839,915	10,005	9,730	2,901,805	2,598,653
U.S. agencies–asset-backed securities	102,761	169,226	70,902	62,373	480,256	278,598
Corporate–asset-backed securities	177,035	217,404	6,101	9,808	1,624,338	1,382,042
Supranational/foreign	937,762	793,404	723	676	1,468,289	1,085,083
Other	205,136	55	2,868	1,753	12,108	
Other U.S. dollar denominated	**9,110,430**	**7,356,756**	**164,964**	**160,571**	**8,875,892**	**7,589,610**
Foreign currency denominated:						
Government/sovereign		126,096				
Corporate	3,201	3,627			18,766	37,143
Foreign currency denominated	**3,201**	**129,723**			**18,766**	**37,143**
Commingled funds:						
Absolute return funds	1,515,715	1,234,209	648,205	397,568	2,344,270	1,898,974
Balanced funds			694,110	590,966		
U.S. equity funds	129,642	103,231	352,198	329,822	1,041,972	624,697
Non-U.S. equity funds	390,513	317,171	463,154	395,502	1,959,563	1,684,201
U.S. bond funds	48,770	42,106	282,082	205,569	4,437	
Non-U.S. bond funds			52,510	32,289		
Real estate investment trusts	69	66	57,394	42,362	81,241	56,463
Money market funds	253,899	54,323	388,656	409,199	1,002,554	1,312,351
Commingled funds	**2,338,608**	**1,751,106**	**2,938,309**	**2,403,277**	**6,434,037**	**5,576,686**
Investment derivatives	122,604	29,120			863,268	578,762
Private equity	425,450	452,630	338,768	268,599	2,510,618	1,845,065
Mortgage loans	799,395	754,266	527	13,305		
Insurance contracts					904,028	962,168
Real assets	28,428				161,392	
Real estate	207,158	226,516	109,221	113,990	950,278	982,105
Externally held irrevocable trusts	215,937	157,800	17,447	17,464		
Other investments	6,993	7,047	101,495	230,136		
Campus foundations' investments with the University	(1,025,675)	(922,180)				
UCRS investment in STIP	(259,488)	(245,594)				
Total investments	**15,952,930**	**13,403,572**	**4,037,367**	**3,524,622**	**$45,855,690**	**$42,352,723**
Less: Current portion	(2,329,965)	(2,036,487)	(327,089)	(359,426)		
Noncurrent portion	**$13,622,965**	**$11,367,085**	**$3,710,278**	**$3,165,196**		

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 that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

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.

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. Effective September 2008, Fannie Mae and Freddie Mac were placed under the conservatorship of the Federal Housing Finance Agency. At the same time, the U.S. Treasury put in place a set of financing agreements to ensure Fannie Mae and Freddie Mac have the ability to full their obligations to holders of bonds that they have issued or guaranteed.

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, the two-year Treasury note, has no credit risk). No more than 5 percent of the total market value of the STIP portfolio may be invested in securities rated below investment grade (BB, Ba or lower). The average credit quality of STIP must be A or better and commercial paper must be rated at least A-1, P-1 or F-1.

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.

Fixed income benchmarks for TRIP include the Barclays Capital Aggregate Credit Index, Barclays Capital Aggregate Securitized Index, the Merrill Lynch High-Yield Cash Pay Index and the Barclays Capital Aggregate Government Index. The TRIP fixed income benchmark is comprised of 60 percent high grade corporate bonds, 13.3 percent mortgage/asset-backed securities, and 13.3 percent below investment grade securities, all of which carry some degree of credit risk. The remaining 13.3 percent is government-issued bonds.

Fixed income benchmarks for UCRS and GEP include the Citigroup Large Pension Fund Index in 2009 and Barclays Capital Aggregate Index in 2010 and are comprised of approximately 30 percent high grade corporate bonds and 30-35 percent mortgage/asset-backed securities, all of which carry some degree of credit risk. The remaining 35-40 percent is government-issued bonds.

Credit risk in TRIP, UCRS and GEP is managed primarily by diversifying across issuers. In addition, portfolio guidelines for UCRS and GEP mandate that no more than 10 percent of the market value of fixed income securities may be invested in issues with credit rating below investment grade. Further, the weighted average credit rating must be A or higher.

In addition, the investment policy for both UCRP and GEP allows for dedicated allocations to non-investment grade and emerging market bonds, investment in which entails credit, default and/or sovereign risk.

The credit risk profile for fixed or variable income securities at June 30, 2010 and 2009 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Fixed or variable income securities:						
U.S. government guaranteed	$1,640,066	$1,458,746	$128,832	$102,982	$5,475,859	$5,132,289
Other U.S. dollar denominated:						
AAA	2,023,274	1,256,298	87,283	83,573	4,845,750	3,914,081
AA	953,573	595,114	13,735	11,091	264,986	149,758
A	2,481,039	2,143,284	21,041	25,743	679,068	694,734
BBB	1,413,946	1,690,608	17,825	23,214	1,195,347	1,115,705
BB	207,797	181,839	7,178	4,376	563,462	607,875
B	211,592	120,359	14,528	2,705	888,949	774,471
CC or below	54,782	68,744	1,960	7,828	417,275	331,681
A-1 / P-1 / F-1	1,746,836	1,283,124	1,018	112	16,288	
Not rated	17,591	17,386	395	1,929	4,767	1,305
Foreign currency denominated:						
AA		126,096				
A						
B	3,201	3,627			18,766	37,143
Commingled funds:						
U.S. bond funds: Not rated	48,770	42,106	282,082	205,569	4,437	
Non-U.S. bond funds: Not rated			52,510	32,289		
Money market funds: Not rated	253,899	54,323	388,656	409,199	1,002,554	1,312,351
Mortgage loans: Not rated	799,395	754,266	527	13,305		
Insurance contracts: Not rated					904,028	962,168
Investment derivatives:						
Forward contracts on a to-be-announced basis:						
AAA	126,188	29,933			870,927	585,542

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.

The University's and UCRS' securities are registered in the University's name by the custodial bank as an agent for the University. Other types of investments represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk is remote.

Some of the investments at certain of the campus foundations are exposed to custodial credit risk. These investments may be uninsured, or not registered in the name of the campus foundation and held by a custodian.

Custodial credit risk exposure related to investments is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2010	2009
Equity securities:		
Domestic	$ 61,210	$ 53,477
Foreign	964	855
Fixed or variable income securities:		
U.S. government guaranteed:		
U.S. Treasury bills, notes and bonds	89,293	61,717
Other U.S. dollar denominated:		
Corporate bonds	12,126	
U.S. agencies	6,272	6,010
Other	1,636	1,562
Custodial credit risk exposure	**$171,501**	**$123,621**

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 portion managed passively, the concentration of individual securities is exactly equal to their concentration in the benchmark. While some securities have a larger representation in the benchmark than others, the University considers that passive management results in an absence of concentration of credit risk. For the portion managed actively, asset class guidelines do not specifically address concentration risk, but do state that the U.S. 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.

Investment guidelines addressing concentration of credit risk related to the investment-grade fixed income portion of the University and UCRS portfolios include a limit of no more than 3 percent of the portfolio's market value to be invested in any single issuer (except for securities issued by the U.S. government or its agencies). These same guidelines apply to STIP. For high-yield and emerging market debt, the corresponding limit is 5 percent.

Each campus foundation may have its own individual investment policy designed to limit exposure to a concentration of credit risk.

Investments in issuers other than U.S. government guaranteed securities that represent 5 percent or more of investments held by an individual foundation at June 30, 2010 and 2009 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2010	2009
Fannie Mae	$60,423	$44,151
Baupost Bermuda Value Partners-IV	35,661	29,186
Silchester International Value Equity Trust		25,796

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.

Portfolio guidelines for the fixed income portion of TRIP limit weighted average effective duration to the effective duration of the benchmarks (Barclays Capital Aggregate Credit Index, Barclays Capital Aggregate Securitized Index, the Merrill Lynch High-Yield Cash Pay Index and Barclays Capital Aggregate Government Index), plus or minus 10 percent. Similarly, portfolio guidelines for the fixed income portion of UCRS and GEP limit weighted average effective duration to the effective duration of their benchmarks (Citigroup Large Pension Fund Index and Lehman Aggregate Index), plus or minus 20 percent. These portfolio guidelines constrain the potential price movement due to interest rate changes of the portfolio to be 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, 2010 and 2009 are as follows:

(in years)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Fixed or variable income securities:						
U.S. government guaranteed:						
U.S. Treasury bills, notes and bonds	1.9	2.0	3.3	4.2	1.7	1.9
U.S. Treasury strips	9.9	9.1			11.1	12.1
U.S. TIPS	3.6	4.1			3.8	5.0
U.S. government-backed securities		6.0	3.2	3.9	5.8	6.0
U.S. government-backed–asset-backed securities			2.1	3.9		
Other U.S. dollar denominated:						
Corporate bonds	3.0	3.0	3.7	3.6	5.1	5.8
Commercial paper	0.0	0.0				0.0
U.S. agencies	1.3	2.0	3.4	4.0	2.5	3.5
U.S. agencies–asset-backed securities	1.8	2.4	1.7	2.1	2.4	4.2
Corporate–asset-backed securities	4.1	7.0	0.3	0.5	3.4	5.5
Supranational / foreign	5.0	7.1	5.2	5.0	6.0	6.8
Other	0.4	5.4	9.2	4.1	14.2	
Foreign currency denominated:						
Government/sovereign		6.7				
Corporate	4.2	4.1			4.2	4.1
Commingled funds:						
U.S. bond funds	4.3	4.3	4.3	5.1		
Non-U.S. bond funds			6.8	2.8		
Money market funds	0.0	0.0	1.4	1.6	1.6	1.7
Mortgage loans	0.0	0.0	0.0	5.2		
Insurance contracts					0.0	0.0
Investment derivatives:						
Forward contracts on a to-be-announced basis	3.3	5.1			3.6	4.9

The University considers the effective durations for commercial paper, mortgage loans, insurance contracts and money market funds, with the exception of STIP, 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 may 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, although the effective durations of these securities may be low.

At June 30, 2010 and 2009, the fair values of such investments are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Mortgage-backed securities	$ 228,072	$ 441,238	$ 65,295	$ 56,339	$ 1,437,790	$ 1,322,956
Collateralized mortgage obligations	19,975	11,251	4,970	5,592	198,261	253,604
Other asset-backed securities	28,820	7,187	4,270	7,871	464,024	85,175
Variable rate securities	169,391	389,792			11,793	25,017
Callable bonds	1,010,098	795,288	267	420	2,113,830	2,095,604
Convertible bonds	743				4,511	
Investment derivatives:						
Forward contracts on a to-be-announced basis	126,188	29,933			870,927	585,542
Total	**$1,583,287**	**$1,674,689**	**$74,802**	**$70,222**	**$5,101,136**	**$4,367,898**

Mortgage-Backed Securities. These securities are issued primarily by Fannie Mae, Ginnie Mae and Freddie Mac 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 a rising interest rate environment, 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, 2010 and 2009, the effective durations for these securities are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Mortgage-backed securities	3.7	4.4	1.7	2.0	4.1	7.0
Collateralized mortgage obligations	2.7	1.7	1.6	2.0	2.4	2.4
Other asset-backed securities	0.8	1.1	3.7	0.5	0.8	0.7
Variable rate securities	0.2	0.1			2.4	1.8
Callable bonds	1.8	2.4	8.7	8.6	2.4	3.2
Convertible bonds	4.4				4.4	
Investment derivatives:						
Forward contracts on a to-be-announced basis	3.3	5.8			3.6	4.9

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 an essential part of the investment strategies. 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 (10 percent and 20 percent, respectively).

At June 30, 2010 and 2009, the foreign currency risk expressed in U.S. dollars, organized by currency denomination and investment type, is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Equity securities:						
Euro	$ 301,065	$ 330,770	$ 12,647	$ 15,892	$ 2,075,324	$ 2,300,869
Japanese Yen	221,071	222,597	10,321	10,634	1,552,663	1,589,320
British Pound	197,673	196,309	12,646	10,246	1,373,841	1,392,577
Canadian Dollar	91,422	79,700	1,354	3,025	678,245	595,696
Swiss Franc	85,015	79,050	6,818	6,610	577,801	542,070
Australian Dollar	68,119	60,443	3,451	2,566	497,688	456,360
Hong Kong Dollar	31,931	33,379	8,058	7,626	208,805	215,011
Swedish Krona	24,265	19,997	1,447		176,436	145,393
Singapore Dollar	18,680	16,421	490	416	125,588	108,267
Danish Krone	10,436	8,103	896	1,063	71,132	59,108
Norwegian Krone	6,332	7,259	437	1,036	45,621	49,047
Israeli Shekel	5,662				45,592	
Other	13,445	7,891	5,572	8,950	67,906	40,578
Subtotal	**1,075,116**	**1,061,919**	**64,137**	**68,064**	**7,496,642**	**7,494,296**
Fixed income securities:						
Euro	3,069	63,598			17,995	36,740
Japanese Yen		48,038				
British Pound	132	9,576			771	403
Canadian Dollar		2,852				
Danish Krone		1,005				
Polish Zloty		926				
Swiss Franc		828				
Swedish Krona		768				
Other		2,132				
Subtotal	**3,201**	**129,723**			**18,766**	**37,143**
Commingled funds (various currency denominations):						
Balanced funds			152,118	152,012		
Non-U.S. equity funds	390,513	317,171	420,496	373,638	1,959,563	1,684,201
U.S. bond funds			4,877			
Non-U.S. bond funds			35,202	25,485		
Real estate investment trusts			20,916	17,005		
Subtotal	**390,513**	**317,171**	**633,609**	**568,140**	**1,959,563**	**1,684,201**
Investment derivatives:						
Euro	937	(605)			731	(1,375)
British Pound	(1,163)	159			321	(332)
Japanese Yen	(737)	(285)			(366)	(149)
Canadian Dollar	65	(350)			411	517
Australian Dollar	(383)	203			(213)	136
Other	(799)	161			87	(57)
Subtotal	**(2,080)**	**(717)**			**971**	**(1,260)**
Private equity:						
Euro	693	1,114	4,066		14,030	17,400
Swedish Krona	146	42	525		3,237	937
Other			1,372			
Real estate:						
Hong Kong Dollar	902	1,716			8,637	16,443
Japanese Yen	638	1,505			6,103	14,423
Other	2,058	3,031			19,704	29,041
Subtotal	**4,437**	**7,408**	**5,963**		**51,711**	**78,244**
Total exposure to foreign currency risk	**$1,471,187**	**$1,515,504**	**$703,709**	**$636,204**	**$9,527,653**	**$9,292,624**

Alternative Investment Risks

Alternative investments are defined as marketable alternatives (hedge funds), limited partnerships, private equity and venture capital funds. Alternative investments include ownership interests in a wide variety of vehicles including partnerships and corporations that may be domiciled in the United States or off-shore. Generally, there is little or no regulation of these investment vehicles by the Securities and Exchange Commission or the applicable state agencies. Managers of these investments employ a wide variety of strategies and have areas of concentration including absolute return, venture capital or early stage investing, private equity or later stage investing and the underlying investments may be leveraged to enhance the total investment return. Each asset class has guidelines and policies regarding the use of leverage. Such underlying investments may include financial assets such as marketable securities, non-marketable securities, derivatives and other synthetic and structured investments as well as tangible and intangible assets. Generally, these alternative investments do not have a ready market and ownership interests in these investment vehicles may not be traded without the approval of the general partner or fund management. These investments are subject to the risks generally associated with equities and fixed income instruments with additional risks due to leverage and the lack of a ready market for acquisition or disposition of ownership interests.

The University's Investment Pools

The composition of the University's investments at June 30, 2010, by investment pool, is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				
	STIP	TRIP	GEP	OTHER	TOTAL
Equity securities:					
Domestic		$ 246,956	$ 945,722	$ 72,029	$ 1,264,707
Foreign		169,079	892,599	13,438	1,075,116
Fixed or variable income securities:					
U.S. government guaranteed	$ 1,206,807	128,998	289,681	14,580	1,640,066
Other U.S. dollar denominated	7,021,074	1,098,512	754,698	236,146	9,110,430
Foreign currency denominated			3,201		3,201
Commingled funds		99,858	2,154,867	83,883	2,338,608
Investment derivatives		79,161	40,210	3,233	122,604
Private equity			409,542	15,908	425,450
Mortgage loans	799,395				799,395
Real estate			28,428		28,428
Real assets			192,052	15,106	207,158
Externally held irrevocable trusts				215,937	215,937
Other investments				6,993	6,993
Subtotal	**9,027,276**	**1,822,564**	**5,711,000**	**677,253**	**17,238,093**
Campus foundations' investments with the University	(407,269)		(506,536)	(111,870)	(1,025,675)
UCRS investment in STIP	(259,488)				(259,488)
Total investments	**$8,360,519**	**$1,822,564**	**$5,204,464**	**$565,383**	**$15,952,930**

The total investment return 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, 2010 was 14.0 percent for TRIP, 11.3 percent for GEP and 11.8 percent for UCRS. The investment return for STIP distributed to participants, representing combined income and realized gains or losses, during the same period, was 2.7 percent. Other investments consist of numerous, small portfolios of investments, or individual securities, each with its 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 campus foundations may purchase or redeem shares in GEP 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.

UCRS

UCRS had $259.5 million and $245.6 million invested in STIP at June 30, 2010 and 2009, respectively. These investments are excluded from the University's statement of net assets and are included in the UCRS' statement of plans' fiduciary net assets. They are categorized as commingled funds in the composition of investments. STIP investment income in the University's statement of revenues, expenses and changes in net assets is net of income earned by, and distributed to, UCRS totaling $7.1 million and $9.1 million for the years ended June 30, 2010 and 2009, respectively.

Campus Foundations

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 assets and included in the campus foundations' statement of net assets. Under the accounting policies elected by each separate foundation, certain foundations classify all or a portion of their investment in STIP 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 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, 2010 and 2009 is as follows:

(in thousands of dollars)

	2010	2009
STIP	$ 407,269	$ 380,856
GEP	506,536	433,661
Other investment pools	111,870	107,663
Campus foundations' investments with the University	**1,025,675**	**922,180**
Classified as cash and cash equivalents by campus foundations	(28,801)	(65,122)
Classified as investments by campus foundations	**$ 996,874**	**$857,058**

Endowment investment income in the University's statement of revenues, expenses and changes in net assets is net of income earned by, and distributed to, the campus foundations totaling $20.0 million and $26.4 million for the years ended June 30, 2010 and 2009, respectively.

Agency Relationships with the University

STIP and GEP are external investment pools and include investments in behalf of external organizations that are associated with the University, although not significant or financially accountable to the University. These organizations are not required to invest in these pools. As with UCRS and campus foundations, 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 assets at June 30, 2010 and 2009 are as follows:

(in thousands of dollars)

	2010	2009
Short-term investments:		
STIP	$ 72,746	$ 68,834
GEP	130,914	116,897
Other investment pools	13,938	15,125
Total agency assets	**$217,598**	**$200,856**
Funds held for others	**$217,598**	**$200,856**

The composition of the net assets at June 30, 2010 and 2009 for STIP and GEP is as follows:

(in thousands of dollars)

	STIP		GEP	
	2010	2009	2010	2009
Investments	$ 9,027,276	$ 7,527,562	$ 5,711,000	$ 5,154,338
Investment of cash collateral	1,725,766	1,388,274	675,907	719,873
Securities lending collateral	(1,726,553)	(1,393,223)	(676,214)	(722,439)
Other assets (liabilities), net	116,948	497,146	(99,238)	(75,071)
Net assets	**$9,143,437**	**$8,019,759**	**$5,611,455**	**$5,076,701**

The changes in net assets for STIP and GEP for the years ending June 30, 2010 and 2009 are as follows:

(in thousands of dollars)

	STIP		GEP	
	2010	2009	2010	2009
Net assets, beginning of year	$ 8,019,759	$ 9,393,622	$ 5,076,701	$ 6,397,763
Investment income	239,986	286,597	99,416	148,365
Net appreciation (depreciation) in fair value of investments	143,305	89,756	478,481	(1,303,982)
Transfer to TRIP	(150,000)	(1,518,000)		
Participant contributions (withdrawals), net	890,387	(232,216)	(43,143)	(165,445)
Net assets, end of year	**$9,143,437**	**$8,019,759**	**$5,611,455**	**$5,076,701**

3. SECURITIES LENDING

The University and UCRS jointly participate in a securities lending program as a means to augment income. Campus foundations' cash and cash equivalents and 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 assets. At June 30, 2010 and 2009, the securities in these pools had a weighted average maturity of 32 and 37 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 assets. Securities collateral received from the borrower is held in investment pools by the University's custodial bank.

At June 30, 2010, 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, 2010 and 2009 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
SECURITIES LENT						
For cash collateral:						
Equity securities:						
Domestic	$ 272,952	$ 314,190	$ 20,588	$ 27,706	$ 2,489,610	$ 2,966,044
Foreign	108,821	230,755			775,789	1,660,423
Fixed income securities:						
U.S. government guaranteed	1,115,759	1,166,346			4,361,438	4,306,053
Other U.S. dollar denominated	1,139,324	624,378			2,212,812	1,115,132
Foreign currency denominated		153				
Campus foundations' share	(160,262)	(160,495)	160,262	160,495		
Lent for cash collateral	**2,476,594**	**2,175,327**	**180,850**	**188,201**	**9,839,649**	**10,047,652**
For securities collateral:						
Equity securities:						
Domestic	33,952	13,080			246,872	104,095
Foreign	89,175	23,569			580,818	117,161
Fixed income securities:						
U.S. government guaranteed	274,539	131,795			450,538	44,880
Other U.S. dollar denominated	475,648	323,611			1,262,857	896,946
Foreign currency denominated	3,823	5,620			3,624	15,662
Lent for securities collateral	**877,137**	**497,675**			**2,544,709**	**1,178,744**
Total securities lent	**$3,353,731**	**$2,673,002**	**$180,850**	**$188,201**	**$12,384,358**	**$11,226,396**
COLLATERAL RECEIVED						
Cash	$ 2,699,766	$ 2,359,757	$ 21,336	$ 28,569	$ 10,116,795	$ 10,387,181
Campus foundations' share	(160,262)	(160,495)	160,262	160,495		
Total cash collateral received	**2,539,504**	**2,199,262**	**181,598**	**189,064**	**10,116,795**	**10,387,181**
Securities	907,857	510,803			2,633,837	1,209,837
Total collateral received	**$3,447,361**	**$2,710,065**	**$181,598**	**$189,064**	**$12,750,632**	**$11,597,018**
INVESTMENT OF CASH COLLATERAL						
Fixed income securities:						
Other U.S. dollar denominated:						
Corporate bonds	$ 156,457	$ 250,014		$ 7,509	$ 586,292	$ 1,100,515
Commercial paper	172,272	106,004			645,551	466,609
U.S. agencies	105,282				394,522	
Repurchase agreements	827,908	275,986	$ 17,836	11,252	3,102,407	1,214,836
Corporate–asset-backed securities	217,591	541,202	2,000	2,000	815,376	2,382,262
Certificates of deposit/time deposits	907,605	1,164,750		2,926	3,401,056	5,126,998
Supranational/foreign	292,061	64,877			1,094,435	285,576
Other			1,500	2,000		
Commingled funds–money market funds	20,472	96,160		2,861	76,714	423,277
Other liabilities, net *	(1,111)	(147,618)			(4,165)	(649,788)
Campus foundations' share	(160,262)	(160,495)	160,262	160,495		
Investment of cash collateral	**2,538,275**	**2,190,880**	**181,598**	**189,043**	**$10,112,188**	**$10,350,285**
Less: Current portion	(2,054,994)	(1,844,661)	(151,085)	(163,680)		
Noncurrent portion	**$ 483,281**	**$ 346,219**	**$ 30,513**	**$ 25,363**		

* Other 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 years ended June 30, 2010 and 2009 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Securities lending income	$ 15,666	$ 45,870	$1,136	$ 4,345	$ 74,831	$ 217,438
Securities lending fees and rebates	(4,824)	(22,027)	(348)	(2,344)	(23,041)	(105,682)
Securities lending investment income, net	**$10,842**	**$23,843**	**$ 788**	**$2,001**	**$51,790**	**$111,756**

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 policies 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 policies for the investment of cash collateral maintained in separately managed collateral pools restrict the credit rating of issuers 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.

The credit risk profile for fixed or variable income securities associated with the investment of cash collateral at June 30, 2010 and 2009 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Fixed or variable income securities:						
Other U.S. dollar denominated:						
AAA	$ 337,463	$ 512,924	$ 2,000	$ 2,000	$1,264,571	$2,257,794
AA+		2,407				10,597
AA	231,189	102,567		2,000	866,330	451,481
AA-	52,868	77,744	1,500		198,114	342,212
A+	109,395	129,329			409,935	569,280
A		32,634		10,435		143,649
A-						
BBB	828	6,955			3,102	30,613
BB-		10,032				44,159
A-1 / P-1 / F-1	1,947,433	1,528,241			7,297,587	6,727,011
Not rated			17,836	11,252		
Commingled funds:						
Money market funds: Not rated	20,472	96,160		2,861	76,714	423,277
Other liabilities, net * : Not rated	(1,111)	(147,618)			(4,165)	(649,788)
Campus foundations' share	(160,262)	(160,495)	160,262	160,495		

* Other 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 and the 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 policy 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, bankers acceptances and money market funds to no more than 5 percent of the portfolio value. 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 and 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, 2010 and 2009 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Bank of America	$354,785	$131,478	$19,836	$ 2,000	$1,329,481	$578,741
JP Morgan Chase		170,835	1,500	2,000		751,980
BNP Paribas	191,365	138,862			717,098	611,242
Morgan Stanley	157,985				592,015	
ING Bank	147,447				552,526	
Deutsche Bank Securities				11,252		
Sun Trust Bank				2,926		
General Electric Capital Corporation				3,009		
Bank of New York/Mellon				2,861		
Goldman Sachs				2,500		
Rabo Bank Nederland NV				2,000		
Campus foundations' share	(56,330)	(32,681)	56,330	32,681		

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 policy with respect to the interest rate risk associated with the investment of cash collateral in the separately managed collateral pools requires 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. Floating rate debt may be used, but it is limited to 65 percent of the market value of the portfolio.

The weighted average maturity expressed in days for fixed or variable income securities associated with the investment of cash collateral at June 30, 2010 and 2009 is as follows:

(in days)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Fixed or variable income securities:						
Other U.S. dollar denominated:						
Corporate bonds	37	43		33	37	43
Commercial paper	12	70			12	70
Repurchase agreements	51	1	1	1	51	1
Corporate–asset-backed securities	15	23	15	15	15	23
Certificates of deposit/time deposits	25	50		29	25	50
Supranational/foreign	27	34			27	34
Other			86	15		
Commingled funds:						
Money market funds	1	1		1	1	1

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, 2010 and 2009, the fair value of investments that are considered to be highly sensitive to changes in interest rates is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Other asset-backed securities	$ 217,591	$ 541,202	$ 2,000	$ 2,000	$ 815,376	$ 2,382,262
Variable rate investments	448,518	314,892			1,680,726	1,386,091
Campus foundations' share	(44,062)	(63,418)	44,062	63,418		
Total	**$622,047**	**$792,676**	**$46,062**	**$65,418**	**$2,496,102**	**$3,768,353**

At June 30, 2010 and 2009, the weighted average maturity expressed in days for asset-backed securities was 15 days and 23 days, respectively, and for variable rate investments was 30 days and 41 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 investment 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. Forward contracts are also used to purchase securities on a to-be-announced basis. 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 investment 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 assets. 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.

Forward contracts are also used to purchase certain mortgage-backed securities on a to-be-announced basis when the price cannot be determined until the coupon rate is known. A forward contract on a to-be-announced basis is a commitment to purchase a mortgage-backed pass-through pooled security when issued by Freddie Mac, Fannie Mae and Ginnie Mae. The terms of the security are announced forty-eight hours prior to the established trade settlement date. Payment for the mortgage-backed security is made on the settlement date. A forward contract on a to-be-announced basis acts as a substitute for investment in mortgage-backed securities.

An option 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 assets 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 assets. Neither the University nor UCRS held any option contracts at June 30, 2010 or 2009.

The University considers its futures, forward contracts and options to be investment derivatives.

A 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, interest rate or currency. 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.

The University has determined that 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 up-front payment. As such, these swaps are comprised of a derivative instrument, an at-the-market swap that is an effective hedge, and a companion instrument, a borrowing represented by the up-front payment. The unamortized amount of the borrowing under the companion instrument was $30.6 million and $31.0 million at June 30, 2010 and 2009, respectively.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010 and 2009, categorized by type, and the changes in fair value of such derivatives for the years then ended are as follows:

University of California

(in thousands of dollars)

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	2010	2009	CLASSIFICATION	2010	2009	CLASSIFICATION	2010	2009
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	129,817	19,013	Investments	$ (1,517)	$ (107)	Net appreciation (depreciation)	$ (7,856)	$(10,517)
Short positions	(1,511)	(1,748)	Investments	13	11	Net appreciation (depreciation)	(309)	287
Foreign equity futures:								
Long positions	22,126	16,249	Investments	(78)	(63)	Net appreciation (depreciation)	4,348	(7,729)
Short positions	(4,774)	(3,125)	Investments	54	(12)	Net appreciation (depreciation)	(344)	2,213
Futures contracts, net				**(1,528)**	**(171)**		**(4,161)**	**(15,746)**
Foreign currency exchange contracts, net:								
Long positions	207,687	144,201	Investments	229	240	Net appreciation (depreciation)	(4,457)	(5,924)
Short positions	(376,502)	(272,592)	Investments	(2,285)	(882)	Net appreciation (depreciation)	10,429	20,961
Futures currency exchange contracts, net				**(2,056)**	**(642)**		**5,972**	**15,037**
Forward contracts on a to-be-announced basis	119,400	29,400	Investments	126,188	29,933	Net appreciation (depreciation)	5,888	5,932
Total investment derivatives				**$122,604**	**$29,120**		**$ 7,699**	**$ 5,223**
CASH FLOW HEDGES								
Interest rate swaps:								
Pay fixed, receive variable	278,385	280,990	Other assets (liabilities)	$ (64,082)	$(48,104)	Deferred (inflows) outflows	$(15,978)	$(13,441)

University of California Retirement System

(in thousands of dollars)

CATEGORY	NOTIONAL AMOUNT 2010	NOTIONAL AMOUNT 2009	FAIR VALUE–POSITIVE (NEGATIVE) CLASSIFICATION	FAIR VALUE 2010	FAIR VALUE 2009	CHANGES IN FAIR VALUE CLASSIFICATION	CHANGES 2010	CHANGES 2009
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	597,440	1,028,854	Investments	$ (8,729)	$ (5,615)	Net appreciation (depreciation)	$ 208,024	$ 1,096
Short positions	(11,732)	(15,326)	Investments	99	95	Net appreciation (depreciation)	(2,395)	(4,900)
Foreign equity futures:								
Long positions	175,338	138,080	Investments	(624)	(524)	Net appreciation (depreciation)	24,952	(63,902)
Short positions	(37,065)	(27,394)	Investments	422	(107)	Net appreciation (depreciation)	(2,673)	19,396
Futures contracts, net				**(8,832)**	**(6,151)**		**227,908**	**(48,310)**
Foreign currency exchange contracts, net:								
Long positions	143,949	100,949	Investments	1,544	(373)	Net appreciation (depreciation)	7,133	36,227
Short positions	(160,253)	(110,770)	Investments	(371)	(256)	Net appreciation (depreciation)	(1,938)	(11,183)
Foreign currency exchange contracts, net				**1,173**	**(629)**		**5,195**	**25,044**
Forward contracts on a to-be-announced basis	826,000	571,000	Investments	870,927	585,542	Net appreciation (depreciation)	64,345	69,887
Total investment derivatives				**$863,268**	**$578,762**		**$297,448**	**$ 46,621**

Objectives and Terms of Hedging Derivative Instruments

The objectives and terms of the hedging derivative instruments outstanding at June 30, 2010, along with the credit rating of the associated counterparty, are as follows:

(in thousands of dollars)

TYPE	OBJECTIVE	NOTIONAL AMOUNT	EFFECTIVE DATE	MATURITY DATE	CASH PAID OR RECEIVED	TERMS	COUNTERPARTY CREDIT RATING	FAIR VALUE 2010	FAIR VALUE 2009
UNIVERSITY OF CALIFORNIA									
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable rate Medical Center Pooled Revenue Bonds	88,610	2007	2032	None	Pay fixed 3.5897%; receive 58% of 1-Month LIBOR* plus 0.48%	A2/A	$ (11,418)	$ (8,173)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable rate Medical Center Pooled Revenue Bonds	189,775	2008	2047	None	Pay fixed 4.6873%; receive 67% of 3-Month LIBOR* plus 0.73%**	Aa3/A+	(52,664)	(39,931)
								$(64,082)	**$(48,104)**

* London Interbank Offered Rate (LIBOR)

** Weighted average spread

Hedging Derivative Financial 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 non-performance by counterparties or unfavorable interest rate movements.

There are no collateral requirements related to the interest rate swap with the $88.6 million notional amount. Depending on the fair value related to the swap with the $189.8 million notional amount, the University may be entitled to receive collateral from the counterparty to the extent the positive fair value exceeds $35.0 million, or be obligated to provide collateral to the counterparty if the negative fair value of the swap exceeds $50.0 million. On July 1, 2010, the University deposited collateral of $1.9 million with the counterparty, and on July 2, 2010, additional collateral of $0.8 million was deposited by the University.

Interest Rate Risk

There is a risk 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 that 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 LIBOR rate due to factors affecting the tax-exempt market which do not have a similar effect on the taxable market. However, there is no basis or tax risk related to the swap with the $189.8 million notional amount since the variable rate the University pays to the bond holders matches the variable rate payments received from the swap counterparty and the interest rates are reset at the same intervals.

Termination Risk

There is termination risk for interest rate swaps associated with variable rate bonds in the event of non-performance 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 the swap 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 $88.6 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 swap with the $189.8 million notional amount, the termination threshold is reached when the credit quality rating for the underlying Medical Center Pooled Revenue Bonds falls below Baa1/BBB, or the interest rate swap counterparty's rating falls below Baa1/BBB+. At termination, the University may also owe a termination payment if there is a realized loss based on the fair value of the interest rate swap.

5. INVESTMENTS HELD BY TRUSTEES

The University has entered into agreements with trustees to maintain trusts for the University's self-insurance programs, long-term debt requirements, capital projects and certain other requirements. In addition, the state of California retains on deposit certain proceeds from the sale of lease-revenue bonds to be used for capital projects. The combined fair value of all of the investments and deposits held by trustees was $1.1 billion and $937.2 million at June 30, 2010 and 2009, respectively.

Self-Insurance Programs

Investments held by trustees for self-insurance programs include separate trusts for the workers' compensation and professional medical and hospital liability programs. Securities are held by the trustees in the name of the University. The trust agreements permit the trustees to invest in U.S. and state government or agency obligations, corporate debt securities, commercial paper or certificates of deposit.

The composition of cash and investments and effective duration associated with fixed income securities for self-insurance programs at June 30, 2010 and 2009, respectively, is as follows:

(in thousands of dollars)

	INVESTMENTS AT FAIR VALUE		EFFECTIVE DURATION	
	2010	2009	2010	2009
Cash	$ 740	$ (7,131)		
U.S. government guaranteed:				
U.S. government-backed–asset-backed securities		25,218		3.2
Other U.S. dollar denominated:				
Corporate–asset-backed securities		120,509		2.1
U.S. agencies–asset-backed securities		437,906		2.6
Commingled funds:				
U.S. bond funds	495,815		4.8	
Money market funds	25,575	12,002	0.0	0.0
U.S. equity funds	86,118			
Total	**$608,248**	**$588,504**		

Self-insurance investments are held in externally managed commingled funds with underlying credit ratings ranging from B to AAA, where applicable.

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 $60.5 million and $62.6 million at June 30, 2010 and 2009, respectively.

The state financing appropriations to the University are deposited in commingled U.S. bond funds managed by the State of California Treasurer's Office, as trustee, and used to satisfy the annual lease requirements under lease-purchase agreements with the state. The fair value of these deposits was $51.4 million and $58.3 million at June 30, 2010 and 2009, respectively.

In addition, other securities held by trustees are held in the name of the University. 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. The fair value of these investments was $9.1 million and $4.3 million at June 30, 2010 and 2009, respectively.

Capital Projects

Investments held by trustees to be used for capital projects totaled $439.8 million and $284.1 million at June 30, 2010 and 2009, respectively.

Proceeds from the sale of the state's lease revenue bonds to be used for financing certain of the University's capital projects are deposited in a commingled U.S. bond fund managed by the State of California Treasurer's Office, as trustee, and distributed to the University as the projects are constructed. The fair value of these deposits was $310.6 million and $119.8 million at June 30, 2010 and 2009, respectively.

In addition, proceeds from the sale of bonds and certain University funds are held by trustees to be used for financing other capital projects. The fair value of these investments was $129.2 million and $164.3 million at June 30, 2010 and 2009, respectively. Substantially all of these investments are of a highly liquid, short term nature.

University deposits into the trusts, or receipts from the trusts, are classified as an operating activity in the University's statement of cash flows if related to the self-insurance programs, or a capital and related financing activity if related to long-term debt requirements or a capital project. Deposits directly into trusts by third parties, investment transactions initiated by trustees in conjunction with the management of trust assets and payments from trusts directly to third parties are not included in the University's statement of cash flows.

6. ACCOUNTS RECEIVABLE

Accounts receivable and the allowance for uncollectible amounts at June 30, 2010 and 2009 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA					
	STATE AND FEDERAL GOVERNMENT	MEDICAL CENTERS	INVESTMENT INCOME	OTHER	TOTAL	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS
At June 30, 2010						
Accounts receivable	$ 652,704	$ 1,336,786	$ 99,292	$ 1,251,645	$ 3,340,427	$ 6,669
Allowance for uncollectible amounts	(2,068)	(239,334)		(56,143)	(297,545)	
Accounts receivable, net	**$650,636**	**$1,097,452**	**$99,292**	**$1,195,502**	**$3,042,882**	**$6,669**
At June 30, 2009						
Accounts receivable	$ 582,211	$ 1,201,424	$ 93,915	$ 1,061,832	$ 2,939,382	$ 6,506
Allowance for uncollectible amounts	(2,648)	(200,412)		(53,847)	(256,907)	
Accounts receivable, net	**$ 579,563**	**$1,001,012**	**$ 93,915**	**$1,007,985**	**$ 2,682,475**	**$6,506**

The University's other accounts receivable are primarily related to private grants and contracts, physicians' professional fees, investment sales, tuition and fees, auxiliary enterprises, insurance rebates and legal settlements.

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

Adjustments to the allowance for doubtful accounts have either increased or (decreased) the following revenues for the years ended June 30, 2010 and 2009:

(in thousands of dollars)

	2010	2009
Student tuition and fees	$ (392)	$ (2,548)
Grants and contracts:		
Federal	610	(772)
State	(189)	(583)
Private	862	(3,341)
Local	97	(76)
Medical centers	(210,873)	(164,010)
Educational activities	(6,650)	(8,108)
Auxiliary enterprises	(447)	(771)
Other operating revenues	(1,702)	191

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 the years ended June 30, 2010 and 2009, under the terms of these agreements, the state of California contributed $11.3 million and $11.3 million, respectively, including interest at rates ranging from 8.0 percent to 8.5 percent. At June 30, 2010 and 2009, the remaining amounts owed to UCRP by the state were $50.8 million and $57.3 million, respectively. These amounts are recorded in the University's statement of net assets as a receivable from the state of California and as a liability owed to UCRP.

7. PLEDGES RECEIVABLE

The composition of pledges receivable at June 30, 2010 and 2009 is summarized as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2010	**2009**	**2010**	**2009**
Total pledges receivable outstanding	$ 90,105	$102,649	$ 529,078	$ 534,752
Less: Unamortized discount to present value	(2,924)	(4,537)	(86,826)	(96,006)
Allowance for uncollectible pledges	(9,759)	(5,084)	(55,342)	(36,975)
Total pledges receivable, net	**77,422**	**93,028**	**386,910**	**401,771**
Less: Current portion of pledges receivable	(37,771)	(48,213)	(129,238)	(131,352)
Noncurrent portion of pledges receivable	**$39,651**	**$ 44,815**	**$257,672**	**$270,419**

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2010 and thereafter are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS
Year Ending June 30		
2011	$ 46,016	$ 173,864
2012	20,987	62,228
2013	11,402	42,878
2014	7,035	27,123
2015	2,778	15,571
2016-2020	1,887	176,262
Beyond 2020		31,152
Total payments on pledges receivable	**$90,105**	**$529,078**

Adjustments to the allowance for uncollectible pledges for the University have decreased the following revenues for the years ended June 30, 2010 and 2009:

(in thousands of dollars)

	2010	**2009**
Private gifts	$(3,566)	$(4,984)
Capital gifts and grants	(3,250)	(9)

8. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2010 and 2009, along with the allowance for uncollectible amounts, are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		
		NONCURRENT					
	CURRENT	NOTES	MORTGAGES	TOTAL	CURRENT	NONCURRENT	TOTAL
At June 30, 2010							
Notes and mortgages receivable	$ 39,765	$ 296,298	$ 29,493	$ 325,791	$ 9	$ 501	$ 510
Allowance for uncollectible amounts	(4,769)	(16,705)	(145)	(16,850)			
Notes and mortgages receivable, net	**$34,996**	**$279,593**	**$29,348**	**$308,941**	**$ 9**	**$501**	**$510**
At June 30, 2009							
Notes and mortgages receivable	$ 34,113	$ 284,190	$ 28,068	$ 312,258	$ 16	$ 486	$ 502
Allowance for uncollectible amounts	(4,515)	(13,599)	(143)	(13,742)			
Notes and mortgages receivable, net	**$29,598**	**$270,591**	**$27,925**	**$298,516**	**$16**	**$486**	**$502**

9. DOE NATIONAL LABORATORY CONTRACTS

The University records a receivable from the DOE to the extent there is a liability on the University's statement of net assets related to a DOE laboratory. These receivables are attributable to operating liabilities associated with LBNL, such as third-party vendor and employee-related liabilities. In addition, the University records a receivable from the DOE for services the University may perform directly for LBNL, costs incurred in conjunction with the transition of the LANL and LLNL contracts to the successor contractor, the DOE's continuing financial obligation to the University for LANL's, LLNL's and LBNL's current and future pension costs, and the DOE's continuing financial obligation to the University for LBNL's current and future retiree health benefit costs.

Receivables from the DOE at June 30, 2010 and 2009 are as follows:

(in thousands of dollars)

	2010	2009
Vendor and employee-related operating costs	$ 100,523	$ 83,212
Performance of services and transition costs	15,975	12,246
Pension costs	81,231	
Current portion of the DOE receivable	**$197,729**	**$95,458**
Retiree health costs	$ 104,429	$ 66,438
Pension costs	6,424	
Noncurrent portion of the DOE receivable	**$110,853**	**$66,438**

Los Alamos National Security, LLC (LANS)

LANS operates and manages the DOE's LANL. LANS' 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 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 to 50 percent. For the years ended June 30, 2010 and June 30, 2009, the University recorded $16.2 million and $15.6 million, respectively, as its equity in the current earnings of LANS and received $14.1 million and $14.8 million in cash distributions in 2010 and 2009, respectively.

Lawrence Livermore National Security, LLC (LLNS)

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. For the years ended June 30, 2010 and 2009, the University recorded $14.5 million and $12.0 million, respectively, as its equity in the current earnings of LLNS and received $14.5 million and $13.8 million in cash distributions, respectively.

10. CAPITAL ASSETS

The University's capital asset activity for the years ended June 30, 2010 and 2009 is as follows:

(in thousands of dollars)

	2008	ADDITIONS	DISPOSALS	2009	ADDITIONS	DISPOSALS	2010
ORIGINAL COST							
Land	$ 664,306	$ 31,335	$ (1)	$ 695,640	$ 22,094		$ 717,734
Infrastructure	454,127	33,876	(2,727)	485,276	31,869	$ (120)	517,025
Buildings and improvements	19,810,867	2,287,629	(13,189)	22,085,307	1,840,680	(49,371)	23,876,616
Equipment, software and intangibles	4,697,984	519,326	(286,373)	4,930,937	484,596	(280,988)	5,134,545
Libraries and collections	3,180,732	138,995	(12,028)	3,307,699	150,813	(16,358)	3,442,154
Special collections	284,875	24,015	(1,753)	307,137	12,358	(158)	319,337
Construction in progress	3,000,551	(125,668)		2,874,883	(31,327)		2,843,556
Capital assets, at original cost	**$32,093,442**	**$2,909,508**	**$(316,071)**	**$34,686,879**	**$2,511,083**	**$(346,995)**	**$36,850,967**

	2008	DEPRECIATION AND AMORTIZATION	DISPOSALS	2009	DEPRECIATION AND AMORTIZATION	DISPOSALS	2010
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure	$ 200,308	$ 16,058	$ (2,130)	$ 214,236	$ 13,564	$ (76)	$ 227,724
Buildings and improvements	6,979,954	669,466	(7,371)	7,642,049	729,238	(19,312)	8,351,975
Equipment, software and intangibles	3,090,362	402,562	(267,272)	3,225,652	410,494	(257,559)	3,378,587
Libraries and collections	2,229,604	109,318	(10,895)	2,328,027	113,838	(12,235)	2,429,630
Accumulated depreciation and amortization	**$12,500,228**	**$1,197,404**	**$(287,668)**	**$13,409,964**	**$1,267,134**	**$(289,182)**	**$14,387,916**
Capital assets, net	**$19,593,214**			**$21,276,915**			**$22,463,051**

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

The University's self-insurance and other liabilities, primarily employee leave and other compensated absences with similar characteristics, contributions owed to UCRP by the state of California, accrued interest and interest rate swaps at June 30, 2010 and 2009 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS			
	2010		2009		2010		2009	
	CURRENT	NONCURRENT	CURRENT	NONCURRENT	CURRENT	NONCURRENT	CURRENT	NONCURRENT
Self-insurance programs	$ 154,884	**$431,071**	$ 163,090	**$434,924**				
Obligations under life income agreements	812	**$ 26,981**	876	**$ 28,359**	$ 20,278	**$143,737**	$ 18,488	**$142,740**
Other liabilities:								
Compensated absences	427,490	$ 275,156	416,631	$ 219,820				
UCRP *		43,768		50,801				
Accrued interest	84,375		62,055					
Fair value of interest rate swaps		64,082		48,104				
Other	239,675	137,719	197,789	137,197	734	$ 14,072	709	$ 13,532
Total	**$907,236**	**$520,725**	**$840,441**	**$455,922**	**$21,012**	**$ 14,072**	**$19,197**	**$ 13,532**

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

Self-Insurance Programs

The University is self-insured 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.

Changes in self-insurance liabilities for the years ended June 30, 2010 and 2009 are as follows:

(in thousands of dollars)

	MEDICAL MALPRACTICE	WORKERS' COMPENSATION	EMPLOYEE HEALTH CARE	GENERAL LIABILITY	TOTAL
Year Ended June 30, 2010					
Liabilities at June 30, 2009	$ 186,536	$ 308,319	$ 9,790	$ 93,369	$ 598,014
Claims incurred and changes in estimates	50,911	69,065	39,717	7,250	166,943
Claim payments	(52,926)	(68,551)	(42,323)	(15,202)	(179,002)
Liabilities at June 30, 2010	**$184,521**	**$308,833**	**$ 7,184**	**$85,417**	**$585,955**
Discount rate	**5.25%**	**5.0%**	**Undiscounted**	**3.5%**	
Year Ended June 30, 2009					
Liabilities at June 30, 2008	$ 188,660	$ 322,308	$ 6,773	$ 79,000	$ 596,741
Claims incurred and changes in estimates	39,675	56,735	49,898	43,344	189,652
Claim payments	(41,799)	(70,724)	(46,881)	(28,975)	(188,379)
Liabilities at June 30, 2009	**$186,536**	**$308,319**	**$ 9,790**	**$93,369**	**$598,014**
Discount rate	**5.5%**	**5.0%**	**Undiscounted**	**4.5%**	

The University decreased the discount rates at June 30, 2010 from those used at June 30, 2009. The change increased the estimate for medical malpractice and general liability claims by $1.5 million and $1.9 million, respectively.

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 their fair value. The discounted present value of any income beneficiary interest is reported as a liability in the statement of net assets. Gifts subject to such agreements are recorded as revenue, net of the income beneficiary share, at the date of the gift. Actuarial gains and losses are included in other nonoperating income (expense) in the statement of revenues, expenses and changes in net assets. Resources that are expendable upon maturity are classified as restricted, expendable net assets; all others are classified as restricted, nonexpendable net assets.

Changes in current and noncurrent obligations under life income agreements for the years ended June 30, 2010 and 2009 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	ANNUITIES	LIFE BENEFICIARIES	ANNUITIES	LIFE BENEFICIARIES
Year Ended June 30, 2010				
Current portion at June 30, 2009	$ 445	$ 431	$ 6,624	$ 11,864
Reclassification from noncurrent	1,714	1,404	7,235	11,579
Payments to beneficiaries	(1,757)	(1,425)	(6,505)	(10,519)
Current portion at June 30, 2010	**$ 402**	**$ 410**	**$ 7,354**	**$ 12,924**
Noncurrent portion at June 30, 2009	$ 12,102	$ 16,257	$ 53,976	$ 88,764
New obligations to beneficiaries and change in liability, net	728	1,012	1,966	17,845
Reclassification to current	(1,714)	(1,404)	(7,235)	(11,579)
Noncurrent portion at June 30, 2010	**$11,116**	**$15,865**	**$48,707**	**$ 95,030**
Year Ended June 30, 2009				
Current portion at June 30, 2008	$ 403	$ 513	$ 7,490	$ 16,198
Reclassification from noncurrent	1,761	1,636	6,480	11,382
Payments to beneficiaries	(1,719)	(1,718)	(7,346)	(15,716)
Current portion at June 30, 2009	**$ 445**	**$ 431**	**$ 6,624**	**$ 11,864**
Noncurrent portion at June 30, 2008	$ 10,543	$ 20,531	$ 48,679	$108,232
New obligations to beneficiaries and change in liability, net	3,320	(2,638)	11,777	(8,086)
Reclassification to current	(1,761)	(1,636)	(6,480)	(11,382)
Noncurrent portion at June 30, 2009	**$12,102**	**$16,257**	**$53,976**	**$ 88,764**

Other Noncurrent Liabilities

Changes in other noncurrent liabilities for the years ended June 30, 2010 and 2009 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA					UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS
	COMPENSATED ABSENCES	UCRP	POLLUTION REMEDIATION	OTHER	TOTAL	
Year Ended June 30, 2010						
Liabilities at June 30, 2009	$ 219,820	$ 50,801	$ 41,198	$ 144,103	$ 455,922	$ 13,532
New obligations	315,931		1,529	22,599	340,059	3,262
Reclassification to current	(260,595)	(7,033)	(2,382)	(5,246)	(275,256)	(2,722)
Liabilities at June 30, 2010	**$275,156**	**$43,768**	**$40,345**	**$161,456**	**$520,725**	**$14,072**
Year Ended June 30, 2009						
Liabilities at June 30, 2008	$ 208,763	$ 57,303	$ 42,611	$ 97,919	$ 406,596	$ 14,134
New obligations	398,547		2,055	52,153	452,755	2,280
Reclassification to current	(387,490)	(6,502)	(3,468)	(5,969)	(403,429)	(2,882)
Liabilities at June 30, 2009	**$219,820**	**$50,801**	**$ 41,198**	**$144,103**	**$455,922**	**$13,532**

Payments are generally made from a variety of revenue sources, including state educational appropriations, grants and contracts, auxiliary enterprises, endowment income or other revenue sources that support employees' salaries.

Pollution remediation liabilities generally involve groundwater, soil and sediment contamination at certain sites where state and other regulatory agencies have indicated the University is among the responsible parties. The liabilities are revalued annually and may increase or decrease the cost or 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, 2010 and 2009 reducing the pollution remediation liability.

12. DEBT

The University directly finances the construction, renovation and acquisition of facilities and equipment 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 for interim financing. Long-term financing includes revenue bonds, capital lease obligations and other borrowings.

The University's outstanding debt at June 30, 2010 and 2009 is as follows:

(in thousands of dollars)

	WEIGHTED AVERAGE INTEREST RATE	INTEREST RATE RANGE	MATURITY YEARS	2010	2009
INTERIM FINANCING:					
Commercial paper		0.2–0.5%	2010	$ 407,810	$ 665,525
LONG-TERM FINANCING:					
University of California General Revenue Bonds	5.2%	1.6–6.3%	2011–2043	5,810,210	4,528,790
University of California Limited Project Revenue Bonds	4.9%	3.0–5.0%	2011–2041	1,363,905	1,380,840
University of California Multiple Purpose Projects Revenue Bonds	4.9%	4.0–5.8%	2010–2027	162,560	187,505
University of California Medical Center Pooled Revenue Bonds	5.3%	3.0–6.6%	2011–2049	1,546,275	1,039,280
University of California Medical Center Revenue Bonds	5.2%	3.4–5.5%	2010–2039	131,035	137,090
Adjusted by: Unamortized deferred financing costs				(99,656)	(108,111)
Unamortized bond premium				206,000	190,113
University of California revenue bonds	**5.2%**			**9,120,329**	**7,355,507**
Capital lease obligations		0.0–11.0%	2010–2035	2,558,305	2,374,908
Other University borrowings		Various	2010–2037	252,106	262,988
Blended component unit revenue bonds, net	5.9%	3.0–6.5%	2011–2049	604,190	330,542
Total outstanding debt				**12,942,740**	**10,989,470**
Less: Commercial paper				(407,810)	(665,525)
Current portion of outstanding debt				(587,598)	(466,905)
Noncurrent portion of outstanding debt				**$11,947,332**	**$ 9,857,040**

Interest expense associated with financing projects during construction, net of any investment income earned on tax-exempt bond proceeds during construction, is capitalized. Total interest expense during the years ended June 30, 2010 and 2009 was $554.2 million and $445.5 million, respectively. Interest expense, net of investment income, totaling $93.7 million and $89.6 million was capitalized during the years ended June 30, 2010 and 2009, respectively. The remaining $460.5 million in 2010 and $355.9 million in 2009 is reported as interest expense in the statement of revenues, expenses and changes in net assets.

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, 2010 and 2009 is as follows:

(in thousands of dollars)

	UNIVERSITY REVENUE BONDS	CAPITAL LEASE OBLIGATIONS	OTHER UNIVERSITY BORROWINGS	BLENDED COMPONENT UNIT REVENUE BONDS	TOTAL
Year Ended June 30, 2010					
Current portion at June 30, 2009	$ 197,415	$ 140,541	$ 128,042	$ 907	$ 466,905
Reclassification from noncurrent	303,768	169,207	200,169	1,477	674,621
Refinancing or prepayment of outstanding debt			(167,318)		(167,318)
Scheduled principal payments	(191,814)	(146,490)	(40,475)	(1,090)	(379,869)
Amortization of bond premium	(15,341)			(117)	(15,458)
Amortization of deferred financing costs	8,454			263	8,717
Current portion at June 30, 2010	**$ 302,482**	**$ 163,258**	**$120,418**	**$ 1,440**	**$ 587,598**
Noncurrent portion at June 30, 2009	$ 7,158,092	$ 2,234,367	$ 134,946	$ 329,635	$ 9,857,040
New obligations	1,932,296	329,887	196,911	269,670	2,728,764
Bond premium	31,227			4,922	36,149
Reclassified to current	(303,768)	(169,207)	(200,169)	(1,477)	(674,621)
Noncurrent portion at June 30, 2010	**$8,817,847**	**$2,395,047**	**$131,688**	**$602,750**	**$11,947,332**
Year Ended June 30, 2009					
Current portion at June 30, 2008	$ 181,610	$ 143,758	$ 220,430	$ 663	$ 546,461
Reclassification from noncurrent	257,899	146,767	93,125	907	498,698
Refinancing or prepayment of outstanding debt	(60,885)		(149,265)		(210,150)
Scheduled principal payments	(176,070)	(149,984)	(36,248)	(846)	(363,148)
Amortization of bond premium	(13,393)			(80)	(13,473)
Amortization of deferred financing costs	8,254			263	8,517
Current portion at June 30, 2009	**$ 197,415**	**$ 140,541**	**$128,042**	**$ 907**	**$ 466,905**
Noncurrent portion at June 30, 2008	$ 6,626,824	$ 2,098,791	$ 93,719	$ 109,187	$ 8,928,521
New obligations	794,220	282,343	134,352	220,915	1,431,830
Bond premium	21,916			440	22,356
Deferred financing costs	(26,969)				(26,969)
Reclassified to current	(257,899)	(146,767)	(93,125)	(907)	(498,698)
Noncurrent portion at June 30, 2009	**$7,158,092**	**$ 2,234,367**	**$134,946**	**$329,635**	**$ 9,857,040**

Commercial Paper

The University has available a $2.0 billion commercial paper program, issued in two series, with tax-exempt and taxable components. The first series of up to $1.5 billion, consisting of both tax-exempt and taxable components, may be issued for interim financing for capital projects, interim financing of equipment, financing of working capital for the medical centers and other working capital needs. The second series of up to $500 million of taxable commercial paper may be issued for standby or interim financing for gift financed projects.

The program's liquidity is 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, 2010 and 2009 is as follows:

(in thousands of dollars)

	2010		2009	
	INTEREST RATES	OUTSTANDING	INTEREST RATES	OUTSTANDING
Tax-exempt	0.3–0.3%	$ 71,300	0.2–0.5%	$ 488,995
Taxable	0.2–0.5%	336,510	0.3–0.4%	176,530
Total outstanding		**$ 407,810**		**$ 665,525**

The expectation is that the University will continue to utilize available investments for liquidity support for the commercial paper program. Alternatively, the University may utilize a line of credit from an external bank. In April 2010, the University entered into a $250 million revolving credit agreement with a major financial institution for the purpose of providing additional liquidity support for the commercial paper program.

University of California Revenue Bonds

Revenue bonds have financed various auxiliary, administrative, academic, medical center and research facilities of the University. They generally have annual principal and semiannual 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.

General Revenue Bonds are collateralized solely by General Revenues as defined in the Indenture. General Revenues are certain operating and nonoperating revenues of the University consisting of gross student tuition and fees; 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 financial covenants. General Revenues for the years ended June 30, 2010 and 2009 were $7.7 billion and $7.1 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 indenture requires the University to achieve the sum of gross project revenues equal to 1.1 times debt service and maintain certain other financial covenants. Pledged revenues for the years ended June 30, 2010 and 2009 were $352.9 million and $349.6 million, respectively.

Multiple Purpose Projects Revenue Bonds are collateralized by a pledge of the net revenues generated by the enterprises. The Multiple Purpose Projects Revenue Bond indentures require the University to achieve net revenues after expenses and requirements for senior lien indentures equal to 1.25 times debt service and maintain certain other financial covenants. Pledged revenues for the years ended June 30, 2010 and 2009 were $465.8 million and $471.8 million, respectively.

Medical Center Pooled Revenue Bonds are issued to finance the University's medical center facilities and are collateralized by a joint and several pledge 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 center gross revenues to pay for the annual principal and interest on the bonds and certain other financial covenants. Gross revenues of the medical centers for the years ended June 30, 2010 and 2009 were $5.9 billion and $5.6 billion, respectively.

Medical Center Revenue Bonds have also financed certain facilities of the University's five medical centers and are collateralized by a pledge of the specific gross revenues associated with each medical center. The Medical Center Revenue Bond indentures require each medical center to achieve debt service coverage of 1.1 times to 1.2 times (depending on the indenture), set limitations on encumbrances, indebtedness, disposition of assets and transfer services, as well as maintain certain other financial covenants.

The pledge of revenues under Limited Project Revenue Bonds is subordinate to the pledge of revenues associated with General Revenue Bonds, but senior to pledges under Multiple Purpose Projects Revenue Bonds, commercial paper agreements or bank loans. The pledge of net revenues associated with projects financed with Multiple Purpose Projects

Revenue Bonds is subordinate to General Revenue Bonds and Limited Project Revenue Bonds, but senior to pledges under commercial paper agreements or bank loans.

Medical Center gross revenues are not pledged for any purpose other than under the indentures for the Medical Center Pooled Revenue Bonds, interest rate swap agreements and specific Medical Center Revenue Bonds. The pledge of medical center revenues under Medical Center Pooled Revenue Bonds is subordinate to the specific Medical Center Revenue Bonds. The pledge of medical center revenues for interest rate swap agreements may be at parity with or subordinate to specific Medical Center Revenue Bonds and Medical Center Pooled Revenue Bonds.

All indentures permit the University to issue additional bonds as long as certain conditions are met.

2010 Activity

In August 2009, General Revenue Bonds totaling $1.3 billion, including $1.0 billion of taxable "Build America Bonds" and $300.6 million of tax-exempt bonds, were issued to finance and refinance certain facilities and projects of the University. Proceeds, including a bond premium of $20.0 million, were used to pay for project construction and issuance costs and repay interim financing incurred prior to the issuance of the bonds, including commercial paper of $397.9 million. The bonds mature at various dates through 2043. The taxable bonds have a stated weighted average interest rate of 5.9 percent and a net weighted average interest rate of 3.8 percent after the expected cash subsidy payment from the United States Treasury equal to 35.0 percent of the interest payable on the taxable bonds. The tax-exempt bonds have a weighted average interest rate of 5.1 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In December 2009, Medical Center Pooled Revenue Bonds totaling $523.9 million, including $429.1 million of taxable "Build America Bonds" and $94.8 million of tax-exempt bonds, were issued to finance and refinance certain facilities and projects of the medical centers. Proceeds, including a bond premium of $4.1 million, were used to pay for project construction and issuance costs and repay interim financing incurred prior to the issuance of the bonds, including commercial paper of $161.0 million. The bonds mature at various dates through 2049. The taxable bonds have a stated weighted average interest rate of 6.6 percent and a net weighted average interest rate of 4.3 percent after the expected cash subsidy payment from the United States Treasury equal to 35.0 percent of the interest payable on the taxable bonds. The tax-exempt bonds have a weighted average interest rate of 4.9 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In April 2010, General Revenue Bonds totaling $85.5 million, including $75.4 million of tax-exempt bonds and $10.1 million of taxable bonds, were issued to finance and refinance certain facilities and projects of the University. Proceeds, including a bond premium of $7.1 million, were used to pay for project construction and issuance costs and repay interim financing incurred prior to the issuance of the bonds, including commercial paper of $24.5 million. The bonds mature at various dates through 2040. The tax-exempt bonds have a weighted average interest rate of 4.9 percent and the taxable bonds have a weighted average interest rate of 5.8 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

Subsequent Events

In July 2010, General Revenue Bonds totaling $144.0 million were issued to refinance certain facilities and projects of the University. Proceeds, including a bond premium of $17.2 million, were also used to refund $58.3 million of outstanding Multiple Purpose Projects Revenue Bonds and $87.7 million of General Revenue Bonds. The bonds mature at various dates through 2024 and have a weighted average interest rate of 4.9 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In September 2010, Limited Project Revenue Bonds totaling $681.8 million, including $486.1 million of taxable "Build America Bonds" and $195.7 million of tax-exempt bonds, were issued to finance and refinance certain facilities and projects of the University. Proceeds, including a bond premium of $22.9 million, were used to pay for project construction and issuance costs and repay interim financing incurred prior to the issuance of the bonds, including commercial paper of $18.2 million. The bonds mature at various dates through 2050. The taxable bonds have a stated weighted average interest rate of 6.0 percent and a net weighted average interest rate of 3.9 percent after the expected cash subsidy payment from the United States Treasury equal to 35.0 percent of the interest payable on the taxable bonds. The tax-exempt bonds have a weighted average interest rate of 4.5 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

2009 Activity

In March 2009, General Revenue Bonds totaling $794.2 million were issued to finance and refinance certain facilities and projects of the University. Proceeds, including a bond premium of $21.9 million, were used to pay for project construction and issuance costs and repay interim financing incurred prior to the issuance of the bonds, including commercial paper of $474.3 million. Proceeds were also used to refund $45.8 million of outstanding Multiple Purpose Projects Revenue Bonds, $15.1 million of Research Facilities Revenue Bonds and $1.3 million of certificates of participation. The bonds mature at various dates through 2039 and have a weighted average interest rate of 5.2 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refunding resulted in deferred financing costs of $1.6 million that will be amortized as interest expense over the remaining life of the refunded bonds. Aggregate debt service payments were decreased by $308 thousand over the term of the bonds and the University was able to obtain an economic gain of $2.1 million.

Capital Leases

The University has entered into lease-purchase agreements with the state of California that are recorded as capital leases. The state sells lease revenue bonds to finance construction of certain state-owned buildings to be used by the University. During the construction phase, the University acts as agent for the state. Bond proceeds remain on deposit with the state, as trustee, until the University is reimbursed as the project is constructed.

Upon completion, the buildings and equipment are leased to the University under terms and amounts that are sufficient to satisfy the state's lease revenue bond requirements with the understanding that the state will provide financing appropriations to the University to satisfy the annual lease requirements. At the conclusion of the lease term, ownership transfers to the University.

The University entered into lease-purchase agreements with the state totaling $271.1 million and $206.8 million during the years ended June 30, 2010 and 2009, respectively, to finance the construction of various University projects.

The state of California financing appropriation to the University under the terms of the lease-purchase agreements, recorded as nonoperating revenue, for the years ended June 30, 2010 and 2009 was $141.8 million and $156.6 million, respectively. The scheduled principal and interest, including accrued interest, reported in the University's financial statements for the years ended June 30, 2010 and 2009 contain amounts related to these lease-purchase agreements with the state of California as follows:

(in thousands of dollars)

	2010	2009
Capital lease principal	$ 93,275	$ 96,658
Capital lease interest	110,728	106,166
Total	**$204,003**	**$202,824**

Capital leases entered into with other lessors, typically for equipment, totaled $58.8 million and $76.2 million for the years ended June 30, 2010 and 2009, 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 bank lines of credit with commercial banks to supplement commercial paper and to provide interim financing for buildings and equipment. Line of credit commitments, with various expiration dates through September 1, 2012, totaled $503.8 million at June 30, 2010. Outstanding borrowings under these bank lines totaled $105.1 million and $118.0 million at June 30, 2010 and 2009, respectively.

Certain of the interest rate swaps are hybrid instruments under Statement No. 53. 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 $30.6 million and $31.0 million at June 30, 2010 and 2009, respectively.

Blended Component Unit Revenue Bonds

Student Housing

The University has entered into ground leases with a legally separate, non-profit corporation that develops and owns student housing projects and related amenities and improvements on a University campus through the use of a single-project limited liability corporation (LLC). The 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 the LLC. Student rental rates are established in order to provide for operating expenses and maintain the required debt service coverage ratios. The University is not responsible for any payments related to the ownership, operation or financing of the student housing. However, under GASB requirements, the financial position and operating results of this legally separate organization are incorporated into the University's financial reporting entity.

The LLC, through its conduit issuer, issued Student Housing LLC Revenue Bonds to finance the construction of the student housing facility. 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 project, and do not constitute general obligations of The Regents.

In July 2008, the LLC, through its conduit issuer, issued additional Student Housing LLC Revenue Bonds totaling $220.9 million. Proceeds, including a bond premium of $500 thousand, are available to finance the construction of a new student housing project and related amenities and improvements. The bonds mature at various dates through 2040 and have a weighted average interest rate of 5.9 percent.

Research Facilities

The University and a legally separate, non-profit corporation created a public/private partnership for the purpose of developing, constructing and managing a neuroscience research laboratory building. The University entered into a ground lease with the corporation. The corporation has entered into a sub-ground lease with a developer to construct, own and manage the building. 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 issued by the 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.

All of the board members of the non-profit corporation are appointed by the University and the University has the authority to determine the budget for the corporation. Under GASB requirements, the financial position and operating results of this legally separate organization are incorporated into the University's financial reporting entity.

In March 2010, the corporation, through a conduit issuer, issued tax-exempt revenue bonds totaling $19.7 million par and taxable revenue bonds totaling $188.0 million par. Proceeds, including a bond premium of $1.8 million, are principally to finance the construction of the research building. The tax-exempt revenue bonds mature at various dates from between 2021 through 2025 and have a weighted average interest rate of 5.0 percent. They generally have annual serial maturities, semi-annual interest payments and optional redemption provisions. The taxable bonds mature in 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 non-profit corporation 35.0 percent of the semi-annual interest cost on the taxable bonds, making the net interest rate 4.2 percent post-subsidy. The bonds have a term maturity with various certain annual sinking fund requirements, semi-annual interest payments and optional redemption provisions.

In addition, the University has entered into a ground lease with a legally separate, non-profit corporation (the Consortium). The Consortium entered into an agreement with the 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 is responsible for designing and constructing 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. Under GASB requirements, the financial position and operating results of this legally separate organization are incorporated into the University's financial reporting entity.

In May 2010, the Consortium, through its conduit issuer, issued revenue bonds totaling $62.0 million. Proceeds, including a bond premium of $3.1 million, are available to finance the construction of the research laboratory facility. The bonds mature at various dates through 2040 and have a weighted average interest rate of 5.0 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 and net receipts or payments on associated hedging derivative instruments for each of the five fiscal years subsequent to June 30, 2010 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 hedging derivative interest rate swaps, these amounts assume that current interest rates on variable rate bonds and the current reference rates of the hedging derivative interest rate swaps will remain the same. As these rates vary, variable rate bond interest payments and net hedging derivative interest rate swap payments will vary.

(in thousands of dollars)

	COMMERCIAL PAPER	UNIVERSITY REVENUE BONDS	CAPITAL LEASES		OTHER UNIVERSITY BORROWINGS	BLENDED COMPONENT UNIT REVENUE BONDS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
			STATE	OTHER					
Year Ending June 30									
2011	$ 407,906	$ 664,049	$ 213,775	$ 72,917	$ 125,421	$ 37,657	$ 1,521,725	$ 903,696	$ 618,029
2012		683,907	216,647	52,289	48,710	39,589	1,041,142	440,618	600,524
2013		682,021	221,276	40,653	26,248	38,834	1,009,032	427,077	581,955
2014		680,095	222,407	71,363	17,242	39,528	1,030,635	469,337	561,298
2015		670,920	220,413	12,744	10,153	40,224	954,454	414,068	540,386
2016–2020		3,197,360	955,157	9,403	12,543	205,879	4,380,342	1,964,122	2,416,220
2021–2025		3,024,298	769,173		4,715	224,060	4,022,246	2,111,575	1,910,671
2026–2030		2,649,765	597,681		5,154	223,620	3,476,220	2,086,329	1,389,891
2031–2035		2,340,676	257,972		5,297	220,477	2,824,422	1,959,882	864,540
2036–2040		1,606,664			5,073	201,519	1,813,256	1,420,278	392,978
2041–2045		483,833			3,429	71,507	558,769	435,049	123,720
2046–2047		174,490			466	53,053	228,009	201,915	26,094
Total future debt service	**407,906**	**16,858,078**	**3,674,501**	**259,369**	**264,451**	**1,395,947**	**22,860,252**	**$12,833,946**	**$10,026,306**
Less: Interest component of future payments	(96)	(7,844,093)	(1,350,851)	(24,714)	(12,345)	(794,207)	(10,026,306)		
Principal portion of future payments	**407,810**	**9,013,985**	**2,323,650**	**234,655**	**252,106**	**601,740**	**12,833,946**		
Adjusted by:									
Unamortized deferred financing costs		(99,656)				(5,102)	(104,758)		
Unamortized bond premium		206,000				7,552	213,552		
Total debt	**$407,810**	**$ 9,120,329**	**$2,323,650**	**$234,655**	**$252,106**	**$ 604,190**	**$12,942,740**		

Long-term debt does not include $744.4 million and $1.1 billion of defeased liabilities at June 30, 2010 and 2009, respectively. 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 assets.

Medical Center Pooled Revenue bonds of $88.6 million are variable rate demand notes which give the debt holders the ability to tender the bonds back to the University upon demand. The University has entered into a bank standby bond purchase agreement to provide funds for the purchase of the bonds that have been tendered and not remarketed. The standby bond purchase agreement is scheduled to terminate on January 28, 2011. The University is required to repurchase any bonds held by the bank on the anniversary date following the purchase (unless the bonds have been resold by the bank) or the termination date of the agreement, whichever is earlier. The University has classified these bonds as current liabilities.

As rates vary, variable-rate bond interest payments and net swap payments will vary. 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, 2010, combined debt service requirements of the variable-rate debt and net swap payments are as follows:

(in thousands of dollars)

	VARIABLE-RATE BONDS		INTEREST RATE SWAP, NET	TOTAL PAYMENTS
	PRINCIPAL	INTEREST		
Year Ending June 30				
2011	$ 2,695	$ 2,025	$ 9,514	$ 14,234
2012	2,800	2,022	9,436	14,258
2013	2,895	2,018	9,354	14,267
2014	3,000	2,015	9,269	14,284
2015	3,110	2,012	9,182	14,304
2016–2020	17,350	10,000	44,482	71,832
2021–2025	31,295	9,800	41,385	82,480
2026–2030	45,855	8,925	35,112	89,892
2031–2035	37,565	7,723	27,580	72,868
2036–2040	37,040	6,300	21,815	65,155
2041–2045	64,510	3,769	12,838	81,117
2046–2047	30,270	495	1,674	32,439
Total	**$278,385**	**$57,104**	**$231,641**	**$567,130**

13. THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

Most University employees participate in UCRS. UCRS consists of the University of California Retirement Plan, a single employer, defined benefit plan funded with University and employee contributions; the University of California Retirement Savings Program that includes four defined contribution plans with options to participate in internally and externally managed investment portfolios generally funded with employee non-elective and elective contributions; and the California Public Employees' Retirement System (PERS) Voluntary Early Retirement Incentive Program (PERS–VERIP), a defined benefit plan for University employees who were members of PERS who elected early retirement. The Regents has the authority to establish and amend the benefit plans.

Condensed financial information related to each plan in UCRS for the years ended June 30, 2010 and 2009 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA RETIREMENT PLAN		UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM		UNIVERSITY OF CALIFORNIA PERS–VOLUNTARY EARLY RETIREMENT INCENTIVE PLAN		TOTAL	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
CONDENSED STATEMENT OF PLANS' FIDUCIARY NET ASSETS								
Investments at fair value	$ 35,140,000	$ 32,709,694	$ 10,654,869	$ 9,585,015	$ 60,821	$ 58,014	$ 45,855,690	$ 42,352,723
Participants' interest in mutual funds			3,461,615	2,923,695			3,461,615	2,923,695
Investment of cash collateral	6,363,777	6,596,311	3,737,426	3,742,295	10,985	11,679	10,112,188	10,350,285
Other assets	292,511	818,983	156,907	143,069	135	1,260	449,553	963,312
Total assets	**41,796,288**	**40,124,988**	**18,010,817**	**16,394,074**	**71,941**	**70,953**	**59,879,046**	**56,590,015**
Collateral held for securities lending	6,366,677	6,619,824	3,739,129	3,755,636	10,989	11,721	10,116,795	10,387,181
Other liabilities	855,157	1,246,622	219,157	155,387	1,528	2,291	1,075,842	1,404,300
Total liabilities	**7,221,834**	**7,866,446**	**3,958,286**	**3,911,023**	**12,517**	**14,012**	**11,192,637**	**11,791,481**
Net assets held in trust	**$34,574,454**	**$32,258,542**	**$14,052,531**	**$12,483,051**	**$59,424**	**$56,941**	**$48,686,409**	**$44,798,534**
CONDENSED STATEMENT OF CHANGES IN PLANS' FIDUCIARY NET ASSETS								
Contributions	$ 171,820	$ 1,754	$ 934,954	$ 927,230			$ 1,106,774	$ 928,984
Net appreciation (depreciation) in fair value of investments	3,311,080	(9,022,624)	926,845	(2,285,781)	$ 5,895	$ (16,364)	4,243,820	(11,324,769)
Investment and other income, net	843,217	1,117,720	347,784	392,415	1,468	1,966	1,192,469	1,512,101
Total additions (reductions)	**4,326,117**	**(7,903,150)**	**2,209,583**	**(966,136)**	**7,363**	**(14,398)**	**6,543,063**	**(8,883,684)**
Benefit payment and participant withdrawals	1,977,550	1,829,017	634,896	630,889	4,873	4,988	2,617,319	2,464,894
Plan expense	32,655	32,453	5,207	3,968	7	9	37,869	36,430
Total deductions	**2,010,205**	**1,861,470**	**640,103**	**634,857**	**4,880**	**4,997**	**2,655,188**	**2,501,324**
Increase (decrease) in net assets held in trust	**2,315,912**	**(9,764,620)**	**1,569,480**	**(1,600,993)**	**2,483**	**(19,395)**	**3,887,875**	**(11,385,008)**
Net assets held in trust								
Beginning of year	32,258,542	42,023,162	12,483,051	14,084,044	56,941	76,336	44,798,534	56,183,542
End of year	**$34,574,454**	**$32,258,542**	**$14,052,531**	**$12,483,051**	**$59,424**	**$56,941**	**$48,686,409**	**$44,798,534**

Additional information on the retirement plans can be obtained from the 2009-2010 annual reports of the University of California Retirement Plan, the University of California Retirement Savings Program and the University of California PERS–VERIP.

University of California Retirement Plan

The University of California Retirement Plan (UCRP) provides lifetime retirement income, disability protection, death benefits and pre-retirement survivor benefits to eligible employees of the University of California and its affiliates. Membership in the retirement plan is required for all employees appointed to work at least 50 percent time for an indefinite period or for a definite period of a year or more. An employee may also become eligible by completing 1,000 hours of service within a 12-month period. Generally, five years of service are required for entitlement to plan benefits. The amount of the pension benefit is determined by salary rate, age and years of service credit with certain cost of living adjustments. The maximum monthly benefit is 100 percent of the employee's highest average compensation over a consecutive 36-month period, subject to certain limits imposed under the Internal Revenue Code.

The University's membership in UCRP consisted of the following at July 1, 2009, the date of the latest actuarial valuation:

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	39,116	12,415	51,531
Inactive members entitled to, but not yet receiving benefits	41,081	13,718	54,799
Active members:			
Vested	63,992	1,696	65,688
Nonvested	49,142	692	49,834
Total active members	**113,134**	**2,388**	**115,522**
Total membership	**193,331**	**28,521**	**221,852**

Contribution Policy

The Regents contribution funding policy is based on a percentage of payroll using the entry age normal actuarial cost method. In July 2008, The Regents approved a policy that determines a total funding policy contributions based on the normal cost adjusted by the amortization of any surplus or deficit, with contributions starting for the Plan Year beginning July 1, 2009. The Regents determine each year the actual total contributions and the split between employee and the employer contributions based on the total funding policy contributions and various other factors. The total funding policy contributions for the campuses and medical centers is based on a fifteen-year amortization period for the deficits as of July 1, 2009.

The total funding policy contribution rates as of July 1, 2009 are based on all of the Plan data, the actuarial assumptions, and the Plan provisions adopted at the time of preparation of the actuarial valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses, and changes in the actuarial assumptions. Employee contributions by represented employees are subject to collective bargaining agreements. University and employee contributions were $148.3 million and $23.3 million, respectively, during the year ended June 30, 2010. For the year ended June 30, 2009, there were no required University or employee contributions other than for service credit buybacks.

LBNL is required to make employer and employee contributions in conformity with The Regents' contribution policy. In addition, under certain circumstances the University makes contributions to UCRP in behalf of LANL and LLNL retirees based upon a contractual arrangement with the DOE designed to maintain the 100 percent funded status of the LANL and LLNL segments within UCRP, and is reimbursed by the DOE.

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

UCRP Benefits and Obligation to UCRP

The University's annual UCRP benefit expense is independently calculated for the campuses and medical centers and the DOE laboratories based upon the actuarially determined annual required contributions. The annual required contribution represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities or surplus over a period of up to 30 years.

The University's annual UCRP benefit expense for the year and related information for the years ended June 30, 2010 and 2009, segregated between the University and the DOE responsibility, is as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS		DOE NATIONAL LABORATORIES		UNIVERSITY OF CALIFORNIA	
	2010	2009	2010	2009	2010	2009
Actuarial valuation date	July 1, 2009	July 1, 2008	July 1, 2009	July 1, 2008	July 1, 2009	July 1, 2008
Annual required contribution	$ 1,600,164	$ 69,138	$ 89,845	$ 12	$ 1,690,009	$ 69,150
Interest on obligation to UCRP	5,152				5,152	
Adjustment to annual required contribution	(7,782)				(7,782)	
Annual UCRP cost	**1,597,534**	**69,138**	**89,845**	**12**	**1,687,379**	**69,150**
University contributions to UCRP	(64,833)	(442)	(83,421)	(12)	(148,254)	(454)
Increase in obligation to UCRP	**1,532,701**	**68,696**	**6,424**	**-**	**1,539,125**	**68,696**
Obligation to UCRP						
Beginning of year	68,696	-	-	-	68,696	-
End of year	**$1,601,397**	**$68,696**	**$ 6,424**	**$ -**	**$1,607,821**	**$68,696**
University contribution reimbursable from the DOE			**$83,421**	**$ 12**	**$ 83,421**	**$ 12**
DOE receivable for obligation to UCRP:						
Current			$ 81,231		$ 81,231	
Noncurrent			6,424		6,424	
Total			**$87,655**		**$ 87,655**	

The annual UCRP benefit cost, percentage of the annual UCRP benefit cost contributed to UCRP, and the net obligation to UCRP for the University for the year ended June 30, 2010 and the preceding years are as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Annual UCRP benefit cost:			
June 30, 2010	$1,597,534	$89,845	$1,687,379
June 30, 2009	69,138	12	69,150
June 30, 2008	2,622	11	2,633
Percentage of annual cost contributed:			
June 30, 2010	4.1%	92.9%	8.8%
June 30, 2009	0.6	100.0	0.7
June 30, 2008	100.0	100.0	100.0
Net obligation to UCRP:			
June 30, 2010	$1,601,397	$ 6,424	$1,607,821
June 30, 2009	68,696	-	68,696
June 30, 2008	-	-	-

Funded Status

Actuarial valuations represent a long-term perspective and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The projection of benefits does not explicitly incorporate the potential effects of the results of collective bargaining discussions on the contribution rate. Actuarially determined amounts are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future.

All assets of UCRP 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 funded status of UCRP as of July 1, 2009 was as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Actuarial value of plan assets	$ 34,835,572	$ 7,849,992	$ 42,685,564
Actuarial accrued liability	(36,758,962)	(8,282,104)	(45,041,066)
Unfunded actuarial accrued liability	**$(1,923,390)**	**$ (432,112)**	**$(2,355,502)**
Funded ratio	94.8%	94.8%	94.8%
Covered payroll	$ 7,637,064	$ 216,355	$ 7,853,419
Unfunded actuarial accrued liability as a percentage of covered payroll	(25.2%)	(199.7%)	(30.0%)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, includes multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based upon the plan as understood by the University and plan members, and include the types of benefits provided at the time of each valuation and the historical cost pattern of sharing of benefit costs between the University and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant actuarial methods and assumptions used in the valuation were:

- assumed return on investment of 7.5 percent per year;
- projected salary increases ranging from 4.35–7.0 percent per year;
- projected inflation at 3.5 percent;
- Entry Age Normal actuarial cost method;
- future life expectancy based upon recent group mortality experience; and
- assumed retirement ages, employee turnover and disability rates based on actual plan experience and future expectations for campuses, medical centers and LBNL.

The actuarial value of assets was determined by smoothing the effect of short-term volatility in the fair value of investments over a five-year period. The amortization period for the excess of actuarial accrued liability over the actuarial value of assets at July 1, 2009, for campuses and medical centers, the DOE national laboratories and total UCRP was 15 years for each.

University of California Retirement Savings Program

The University of California Retirement Savings Program includes four defined contribution plans providing retirement savings incentives that are generally available to all University employees. Participants' interests in the plans are fully and immediately vested and are distributable at retirement, termination of employment or death. Participants may also elect to defer distribution of the account until age 70 ½ or separation from service after age 70 ½, whichever is later, in accordance with Internal Revenue Code minimum distribution requirements. The plans also accept qualified rollover contributions.

Defined Contribution Plans

The Defined Contribution Plan (DC Plan) accepts both after-tax and pretax employee contributions that are fully vested. Pretax contributions are mandatory for all employees who are members of UCRP, as well as Safe Harbor participants—part-time, seasonal and temporary employees who are not covered by Social Security. For UCRP members, monthly employee contributions range from approximately 2.0 percent to 4.0 percent of covered wages depending upon whether wages are below or above the Social Security wage base. For Safe Harbor participants, monthly employee contributions are 7.5 percent of covered wages.

The University has a provision for matching employer and employee contributions to the DC Plan for certain summer session teaching or research compensation for eligible academic employees. The University may also make contributions in behalf of certain members of management. Employer contributions to the DC Plan were $5.3 million and $5.3 million for the years ended June 30, 2010 and 2009, respectively.

The University established a Supplemental Defined Contribution Plan (SDC Plan) on January 1, 2009 to accept employer contributions in behalf of certain designated employees. Employer contributions are fully vested and there is no provision for employee contributions. Employer contributions to the SDC Plan were $47.6 thousand and $42.4 thousand for the years ended June 30, 2010 and 2009, respectively.

Tax Deferred 403(b) Plan

The University's Tax Deferred 403(b) Plan (403(b) Plan) accepts pretax employee contributions. The University may also make contributions in behalf of certain members of management. Employer contributions to the 403(b) Plan were $2.0 million and $2.2 million for the years ended June 30, 2010 and 2009, respectively.

457(b) Deferred Compensation Plan

The University's 457(b) Deferred Compensation Plan (457(b) Plan) accepts pretax employee contributions. The University may also make contributions in behalf of certain members of management. There were no employer contributions to the 457(b) Plan for the years ended June 30, 2010 and 2009.

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' interest in mutual funds is shown separately in the statement of plans' fiduciary net assets.

University of California PERS–VERIP

The University of California PERS–VERIP is a defined benefit pension plan providing lifetime supplemental retirement income and survivor benefits to UC–PERS members who elected early retirement under provisions of the plan. The University contributed to PERS in behalf of these UC–PERS members. At July 1, 2009 there are 718 retirees or beneficiaries receiving benefits under this voluntary early retirement program.

The University and the DOE laboratories previously made contributions to the plan sufficient to maintain the promised benefits. The annual required contribution, net obligation to PERS–VERIP and any changes or adjustments to that obligation are all zero for the years ending June 30, 2010, 2009 and 2008.

14. 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 (retirees) of the University of California and its affiliates. The Regents has the authority to establish and amend the plans. Additional information can be obtained from the 2009–2010 annual report of the University of California Health and Welfare Program.

Membership in UCRP is required to become eligible for retiree health benefits. Participation in the retiree health benefit plans consisted of the following at July 1, 2009, the date of the latest actuarial valuation:

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Retirees who are currently receiving benefits	32,278	1,676	33,954
Employees who may receive benefits at retirement	114,310	2,800	117,110
Total membership	**146,588**	**4,476**	**151,064**

Contribution Policy

The contribution requirements of the University and eligible retirees are established and may be amended by the University. The contribution requirements are 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.

Contributions toward medical and dental benefits are shared between the University and the retiree. Contributions toward wellness benefits are made by the University. 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 are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50 percent of the maximum University contribution, increasing to 100 percent after 20 years of service.

Active employees do not make any contributions toward the retiree health benefit plans. Retirees pay the excess, if any, of the premium over the applicable portion of the University's contribution.

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.

Retiree Health Benefit Expense and Obligation for Retiree Health Benefits

The University's retiree health benefit expense is independently calculated for the campuses and medical centers and LBNL based upon the actuarially determined annual required contribution. The annual required contribution represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period of up to 30 years.

The University's annual retiree health benefit expense and related information for the years ended June 30, 2010 and 2009, segregated between the University and the DOE responsibility, is as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS		LBNL		UNIVERSITY OF CALIFORNIA	
	2010	2009	2010	2009	2010	2009
Actuarial valuation date	July 1, 2009	July 1, 2008	July 1, 2009	July 1, 2008	July 1, 2009	July 1, 2008
Annual required contribution	$ 1,750,666	$ 1,550,432	$ 55,750	$ 50,031	$ 1,806,416	$ 1,600,463
Interest on obligations for retiree health benefits	127,058	59,770	3,654	1,732	130,712	61,502
Adjustment to annual required contribution	(235,522)	(108,265)	(6,759)	(3,138)	(242,281)	(111,403)
Annual retiree health benefit cost	**1,642,202**	**1,501,937**	**52,645**	**48,625**	**1,694,847**	**1,550,562**
University contributions:						
To UCRHBT	(233,991)	(234,428)			(233,991)	(234,428)
To healthcare insurers and administrators			(12,162)	(11,441)	(12,162)	(11,441)
Implicit subsidy	(49,526)	(44,079)	(2,492)	(2,240)	(52,018)	(46,319)
Total contributions	**(283,517)**	**(278,507)**	**(14,654)**	**(13,681)**	**(298,171)**	**(292,188)**
Increase in obligations for retiree health benefits	**1,358,685**	**1,223,430**	**37,991**	**34,944**	**1,396,676**	**1,258,374**
Obligations for retiree health benefits						
Beginning of year	2,310,690	1,087,260	66,438	31,494	2,377,128	1,118,754
End of year	**$3,669,375**	**$2,310,690**	**$104,429**	**$ 66,438**	**$3,773,804**	**$2,377,128**
Retiree health care reimbursement from the DOE during the year			**$ 12,162**	**$ 11,441**	**$ 12,162**	**$ 11,441**
DOE receivable for obligations for retiree health benefits						
Noncurrent			$ 104,429	$ 66,438	$ 104,429	$ 66,438
Total			**$104,429**	**$ 66,438**	**$ 104,429**	**$ 66,438**

The annual retiree health benefit cost, percentage of the annual retiree health benefit cost contributed to the retiree health benefit plan, and the net obligation for retiree health benefits for the University for the years ended June 30, 2010 and the preceding years are as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Annual retiree health benefit cost:			
June 30, 2010	$1,642,202	$ 52,645	$1,694,847
June 30, 2009	1,501,937	48,625	1,550,562
June 30, 2008	1,355,362	44,426	1,399,788
Percentage of annual cost contributed:			
June 30, 2010	17.3%	27.8%	17.6%
June 30, 2009	18.5	28.1	18.8
June 30, 2008	19.8	29.1	20.1
Net obligation to the health benefit plan:			
June 30, 2010	$3,669,375	$104,429	$3,773,804
June 30, 2009	2,310,690	66,438	2,377,128
June 30, 2008	1,087,260	31,494	1,118,754

Funded Status

Actuarial valuations represent a long-term perspective and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment return and health care cost trends. The projection of benefits does not explicitly incorporate the potential effects of the results of collective bargaining discussions on the contribution rate. Actuarially determined amounts are subject to periodic revisions as actual rates are compared with past expectations and new estimates are made about the future.

The funded status of the plan as of July 1, 2009 was as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Actuarial value of plan assets	$ 76,893		$ 76,893
Actuarial accrued liability	(14,541,529)	$ (520,255)	(15,061,784)
Unfunded actuarial accrued liability	**$(14,464,636)**	**$(520,255)**	**$(14,984,891)**
Value of the implicit subsidy included in the actuarial accrued liability	$ 2,129,031	$ 80,247	$ 2,209,278
Funded ratio	0.5%	0.0%	0.5%
Covered payroll	$ 7,637,064	$ 216,355	$ 7,853,419
Unfunded actuarial accrued liability as a percentage of covered payroll	(189.4%)	(240.5%)	(190.8%)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, includes multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based upon the plan as understood by the University and plan members, and include the types of benefits provided at the time of each valuation and the historical cost pattern of sharing of benefit costs between the University and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant actuarial methods and assumptions used in the valuation were:

- assumed return on investment of 5.5 percent per year, representing the return on the University's assets expected to be used to finance benefits, smoothing the effect of gains and losses over a five-year period;
- health care cost trend rate ranging from 10 to 12 percent initially, depending on the type of plan, reduced by increments to an ultimate rate of 5 percent over nine years;
- projected inflation at 3.0 percent;
- amortization of the initial unfunded actuarial liability over 30 years as a flat dollar amount on a closed basis;
- amortization of future actuarial gains and losses over 15 years as a flat dollar amount on a closed basis;
- amortization of the effects of changes in the plan design, or changes in assumptions, over 30 years as a flat dollar amount on a closed basis;
- Entry Age Normal actuarial cost method;
- future life expectancy based upon recent group mortality experience; and
- assumed retirement ages, employee turnover and disability rates based on actual plan experience and future expectations.

15. ENDOWMENTS AND GIFTS

Endowments and gifts are held and administered either by the University or by 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, 2010 and 2009 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA			
	RESTRICTED NONEXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2010				
Endowments	$ 981,185	$ 1,302,389	$ 13,289	$ 2,296,863
Funds functioning as endowments		1,883,437	1,242,777	3,126,214
Annuity and life income	15,421	2,727		18,148
Gifts		934,641	12,567	947,208
University endowments and gifts	**$996,606**	**$4,123,194**	**$1,268,633**	**$6,388,433**
At June 30, 2009				
Endowments	$ 940,249	$ 1,180,119	$ 26,143	$ 2,146,511
Funds functioning as endowments		1,689,383	1,084,511	2,773,894
Annuity and life income	6,786	10,292		17,078
Gifts		909,590	11,429	921,019
University endowments and gifts	**$947,035**	**$3,789,384**	**$1,122,083**	**$5,858,502**

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, subject to the approval of The Regents, amounted to $1.3 billion and $1.2 billion at June 30, 2010 and 2009, 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 $207.0 million and $214.6 million for the years ended June 30, 2010 and 2009, 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 $150.3 million and $109.6 million for the years ended June 30, 2010 and 2009, respectively. Accumulated endowment income available for spending in the future, including the annual income distribution, was $521.2 million and $520.5 million at June 30, 2010 and 2009, 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, 2010 and 2009 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS			
	RESTRICTED NONEXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2010				
Endowments	$ 2,039,885	$ 473,566		$ 2,513,451
Funds functioning as endowments		856,771		856,771
Annuity and life income	67,379	63,287		130,666
Gifts		668,999	$ 13,763	682,762
Campus foundations' endowments and gifts	**$2,107,264**	**$2,062,623**	**$13,763**	**$4,183,650**
At June 30, 2009				
Endowments	$ 1,804,815	$ 394,587		$ 2,199,402
Funds functioning as endowments		763,272		763,272
Annuity and life income	62,018	63,823		125,841
Gifts		729,974	$ 11,829	741,803
Campus foundations' endowments and gifts	**$1,866,833**	**$1,951,656**	**$11,829**	**$3,830,318**

The campus foundations provided grants to the University's campuses totaling $566.0 million and $444.7 million during the years ended June 30, 2010 and 2009, respectively.

16. SEGMENT INFORMATION

The University's significant identifiable activities for which revenue bonds may be outstanding where revenue is pledged in support of revenue bonds are related to the University's medical centers. 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 years ended June 30, 2010 and 2009 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS				
	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO
Year Ended June 30, 2010					
Revenue bonds outstanding	$ 360,560	$ 295,810	$ 688,876	$ 187,480	$ 153,930
Related debt service payments	$ 31,798	$ 8,588	$ 31,394	$ 9,842	$ 8,021
Bonds due serially through	2047	2049	2049	2047	2049
CONDENSED STATEMENT OF NET ASSETS					
Current assets	$ 344,328	$ 230,522	$ 734,647	$ 376,246	$ 590,861
Capital assets, net	1,073,344	698,815	1,692,645	550,675	824,471
Other assets	23,507	105,780	138,560	45,504	28,933
Total assets	**1,441,179**	**1,035,117**	**2,565,852**	**972,425**	**1,444,265**
Current liabilities	203,714	122,402	249,216	116,497	198,794
Long-term debt	385,450	330,555	787,066	209,906	262,810
Other noncurrent liabilities			52,664		50,732
Total liabilities	**589,164**	**452,957**	**1,088,946**	**326,403**	**512,336**
Invested in capital assets, net of debt	645,225	352,012	916,943	321,699	531,091
Restricted	108	103,353	75,361	36,429	12,759
Unrestricted	206,682	126,795	484,602	287,894	388,079
Total net assets	**$ 852,015**	**$ 582,160**	**$1,476,906**	**$646,022**	**$ 931,929**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS					
Operating revenues	$1,112,214	$ 613,642	$ 1,587,483	$ 834,289	$ 1,787,757
Operating expenses	(980,904)	(533,977)	(1,278,020)	(691,273)	(1,559,388)
Depreciation expense	(59,575)	(43,565)	(85,873)	(32,181)	(77,790)
Operating income	**71,735**	**36,100**	**223,590**	**110,835**	**150,579**
Nonoperating revenues (expenses), net	(2,765)	(2,470)	(11,508)	2,037	(1,474)
Income before other changes in net assets	**68,970**	**33,630**	**212,082**	**112,872**	**149,105**
State and federal capital appropriations			626		
Health systems support	(29,719)	(65,771)	(56,217)	(39,314)	(37,066)
Transfers (to) from University, net	18,819	(16,647)	(37,541)	1,958	
Other, including donated assets			8,413	1,614	59,132
Increase in net assets	**58,070**	**(48,788)**	**127,363**	**77,130**	**171,171**
Net assets–June 30, 2009	793,945	630,948	1,349,543	568,892	760,758
Net assets–June 30, 2010	**$ 852,015**	**$ 582,160**	**$1,476,906**	**$646,022**	**$ 931,929**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	$ 108,038	$ 76,527	$ 293,805	$ 140,770	$ 218,530
Noncapital financing activities	(27,189)	(65,771)	(59,140)	(39,314)	(37,066)
Capital and related financing activities	(119,164)	114,041	(2,479)	(32,835)	(97,151)
Investing activities	7,413	(95,502)	(45,756)	(34,115)	5,353
Net increase (decrease) in cash and cash equivalents	**(30,902)**	**29,295**	**186,430**	**34,506**	**89,666**
Cash and cash equivalents *–June 30, 2009	122,721	73,353	219,604	150,789	127,526
Cash and cash equivalents *–June 30, 2010	**$ 91,819**	**$ 102,648**	**$ 406,034**	**$185,295**	**$ 217,192**

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

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS				
	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO
Year Ended June 30, 2009					
Revenue bonds outstanding	$ 374,865	$ 62,920	$ 536,185	$ 67,165	$ 135,235
Related debt service payments	$ 32,085	$ 2,897	$ 25,279	$ 6,610	$ 7,591
Bonds due serially through	2047	2047	2047	2047	2047
CONDENSED STATEMENT OF NET ASSETS					
Current assets	$ 345,365	$ 179,020	$ 531,474	$ 325,324	$ 470,539
Capital assets, net	1,014,077	630,629	1,625,852	450,805	736,367
Other assets	23,195	6,875	68,940	5,958	22,641
Total assets	**1,382,637**	**816,524**	**2,226,266**	**782,087**	**1,229,547**
Current liabilities	197,567	95,940	193,061	130,208	188,801
Long-term debt	391,125	89,636	643,731	82,987	245,783
Other noncurrent liabilities			39,931		34,205
Total liabilities	**588,692**	**185,576**	**876,723**	**213,195**	**468,789**
Invested in capital assets, net of debt	579,838	534,468	1,046,892	320,904	462,741
Restricted	954	6,046	19,427		9,536
Unrestricted	213,153	90,434	283,224	247,988	288,481
Total net assets	**$ 793,945**	**$630,948**	**$1,349,543**	**$568,892**	**$ 760,758**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS					
Operating revenues	$ 1,077,367	$ 584,337	$ 1,465,915	$ 784,457	$ 1,653,150
Operating expenses	(962,080)	(496,158)	(1,250,009)	(660,358)	(1,484,406)
Depreciation expense	(57,372)	(33,941)	(81,921)	(29,763)	(67,707)
Operating income	**57,915**	**54,238**	**133,985**	**94,336**	**101,037**
Nonoperating revenues (expenses), net	(2,767)	(1,937)	(18,213)	1,653	(20,954)
Income before other changes in net assets	**55,148**	**52,301**	**115,772**	**95,989**	**80,083**
State and federal capital appropriations			110	1,918	
Health systems support	(48,783)	(53,413)	(37,932)	(32,907)	(30,284)
Transfers from University, net	39,261	92,399	40,779	16,627	
Other, including donated assets			40,203	1,325	2,174
Increase in net assets	**45,626**	**91,287**	**158,932**	**82,952**	**51,973**
Net assets–June 30, 2008	748,319	539,661	1,190,611	485,940	708,785
Net assets–June 30, 2009	**$ 793,945**	**$630,948**	**$1,349,543**	**$568,892**	**$ 760,758**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	$ 135,522	$ 84,206	$ 178,430	$ 123,096	$ 145,913
Noncapital financing activities	(47,152)	(53,413)	(43,057)	(32,907)	(30,284)
Capital and related financing activities	(146,493)	(63,780)	(79,227)	(74,150)	(120,680)
Investing activities	4,371	10,386	38,862	2,402	3,735
Net increase (decrease) in cash and cash equivalents	**(53,752)**	**(22,601)**	**95,008**	**18,441**	**(1,316)**
Cash and cash equivalents * –June 30, 2008	176,473	95,954	124,596	132,348	128,842
Cash and cash equivalents * –June 30, 2009	**$ 122,721**	**$ 73,353**	**$ 219,604**	**$150,789**	**$ 127,526**

* 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 their separately audited financial statements. Certain revenue, such as financial support from the state for clinical teaching programs, is classified as state educational appropriations rather than medical center revenue in the University's statement of revenues, expenses and changes in net assets. However, in the medical centers' separately audited financial statements and for segment reporting purposes, these revenues are classified as operating revenue.

Multiple purpose and housing system projects—including student and faculty housing, parking facilities, student centers, recreation and events facilities, student health service facilities and certain academic and administrative facilities—are also financed by revenue bonds; however, assets and liabilities are not required to be accounted for separately.

Additional information on the individual University of California Medical Centers can be obtained from their separate June 30, 2010 audited financial statements.

17. CAMPUS FOUNDATION 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 years ended June 30, 2010 and 2009 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS				
	BERKELEY	SAN FRANCISCO	LOS ANGELES	ALL OTHER	TOTAL
Year Ended June 30, 2010					
CONDENSED STATEMENT OF NET ASSETS					
Current assets	$ 111,077	$ 104,682	$ 260,231	$ 237,330	$ 713,320
Noncurrent assets	1,007,649	635,213	1,334,642	1,053,888	4,031,392
Total assets	**1,118,726**	**739,895**	**1,594,873**	**1,291,218**	**4,744,712**
Current liabilities	50,089	30,275	234,366	88,523	403,253
Noncurrent liabilities	68,974	13,053	37,932	37,850	157,809
Total liabilities	**119,063**	**43,328**	**272,298**	**126,373**	**561,062**
Restricted	998,763	696,330	1,318,960	1,155,834	4,169,887
Unrestricted	900	237	3,615	9,011	13,763
Total net assets	**$ 999,663**	**$696,567**	**$1,322,575**	**$1,164,845**	**$4,183,650**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS					
Operating revenues	$ 66,050	$ 107,973	$ 162,518	$ 90,809	$ 427,350
Operating expenses	(87,376)	(149,399)	(155,675)	(202,515)	(594,965)
Operating income (loss)	**(21,326)**	**(41,426)**	**6,843**	**(111,706)**	**(167,615)**
Nonoperating revenues	92,235	67,439	97,513	102,209	359,396
Income (loss) before other changes in net assets	**70,909**	**26,013**	**104,356**	**(9,497)**	**191,781**
Permanent endowments	46,671	15,923	53,353	45,604	161,551
Increase in net assets	**117,580**	**41,936**	**157,709**	**36,107**	**353,332**
Net assets–June 30, 2009	882,083	654,631	1,164,866	1,128,738	3,830,318
Net assets–June 30, 2010	**$ 999,663**	**$696,567**	**$1,322,575**	**$1,164,845**	**$4,183,650**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	$ (23,643)	$ (39,518)	$ (33,570)	$ (94,549)	$ (191,280)
Noncapital financing activities	39,857	14,263	43,097	43,438	140,655
Investing activities	(16,763)	(11,270)	(10,673)	3,596	(35,110)
Net decrease in cash and cash equivalents	**(549)**	**(36,525)**	**(1,146)**	**(47,515)**	**(85,735)**
Cash and cash equivalents–June 30, 2009	3,989	99,616	1,779	77,832	183,216
Cash and cash equivalents–June 30, 2010	**$ 3,440**	**$ 63,091**	**$ 633**	**$ 30,317**	**$ 97,481**

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS				
	BERKELEY	SAN FRANCISCO	LOS ANGELES	ALL OTHER	TOTAL
Year Ended June 30, 2009					
CONDENSED STATEMENT OF NET ASSETS					
Current assets	$ 100,253	$ 132,244	$ 283,698	$ 332,025	$ 848,220
Noncurrent assets	876,194	549,041	1,110,560	944,953	3,480,748
Total assets	**976,447**	**681,285**	**1,394,258**	**1,276,978**	**4,328,968**
Current liabilities	27,506	13,921	191,977	108,974	342,378
Noncurrent liabilities	66,858	12,733	37,415	39,266	156,272
Total liabilities	**94,364**	**26,654**	**229,392**	**148,240**	**498,650**
Restricted	881,312	654,393	1,164,707	1,118,077	3,818,489
Unrestricted	771	238	159	10,661	11,829
Total net assets	**$ 882,083**	**$654,631**	**$1,164,866**	**$1,128,738**	**$3,830,318**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS					
Operating revenues	$ 61,111	$ 121,936	$ 99,136	$ 93,818	$ 376,001
Operating expenses	(81,402)	(98,417)	(153,122)	(125,285)	(458,226)
Operating income (loss)	**(20,291)**	**23,519**	**(53,986)**	**(31,467)**	**(82,225)**
Nonoperating expenses	(207,579)	(77,799)	(227,316)	(199,998)	(712,692)
Loss before other changes in net assets	**(227,870)**	**(54,280)**	**(281,302)**	**(231,465)**	**(794,917)**
Permanent endowments	49,922	18,920	45,297	40,265	154,404
Decrease in net assets	**(177,948)**	**(35,360)**	**(236,005)**	**(191,200)**	**(640,513)**
Net assets–June 30, 2008	1,060,031	689,991	1,400,871	1,319,938	4,470,831
Net assets–June 30, 2009	**$ 882,083**	**$654,631**	**$1,164,866**	**$1,128,738**	**$3,830,318**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	$ (20,688)	$ 22,042	$ (54,830)	$ (37,275)	$ (90,751)
Noncapital financing activities	45,836	17,740	45,297	38,685	147,558
Investing activities	(25,966)	(17,202)	10,592	8,325	(24,251)
Net increase (decrease) in cash and cash equivalents	**(818)**	**22,580**	**1,059**	**9,735**	**32,556**
Cash and cash equivalents–June 30, 2008	4,807	77,036	720	68,097	150,660
Cash and cash equivalents–June 30, 2009	**$ 3,989**	**$ 99,616**	**$ 1,779**	**$ 77,832**	**$ 183,216**

18. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

Amounts committed but unexpended for construction projects totaled $2.7 billion and $4.1 billion at June 30, 2010 and 2009, respectively.

The University and UCRS have also made commitments to make investments in certain investment partnerships pursuant to provisions in the various partnership agreements. These commitments at June 30, 2010 totaled $3.0 billion: $316.3 million and $2.7 billion for the University and UCRS, respectively.

The University leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2010 and 2009 were $112.2 million and $162.7 million, respectively. The terms of operating leases extend through May 2039.

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)

	MINIMUM ANNUAL LEASE PAYMENTS
Year Ending June 30	
2011	$ 93,472
2012	70,518
2013	57,845
2014	42,065
2015	29,900
2016–2020	62,807
2021–2025	6,128
2026–2030	3,978
2031–2035	4,531
2036–2039	4,657
Total	**$375,901**

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.

REQUIRED SUPPLEMENTARY INFORMATION

The University's schedule of funding progress for UCRP and the retiree health plan is presented below.

UCRP

(in thousands of dollars)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	EXCESS (DEFICIT)	FUNDED RATIO	COVERED PAYROLL	EXCESS/(DEFICIT) COVERED PAYROLL
University of California						
July 1, 2009	$42,685,564	$45,041,066	$(2,355,502)	94.8%	$7,853,419	(30.0)%
July 1, 2008	43,727,521	42,467,742	1,259,779	103.0	7,449,796	16.9
July 1, 2007	43,328,050	41,335,935	1,992,115	104.8	7,595,421	26.2
Campuses and Medical Centers						
July 1, 2009	34,835,572	36,758,962	(1,923,390)	94.8	7,637,064	(25.2)
July 1, 2008	35,496,354	34,340,516	1,155,838	103.4	7,245,447	16.0
July 1, 2007	33,581,431	31,917,954	1,663,477	105.2	6,720,789	24.8
DOE National Laboratories						
July 1, 2009	7,849,992	8,282,104	(432,112)	94.8	216,355	(199.7)
July 1, 2008	8,231,167	8,127,226	103,941	101.3	204,349	50.9
July 1, 2007	9,746,619	9,417,981	328,638	103.5	874,632	37.6

Retiree Health Plan

(in thousands of dollars)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	(DEFICIT)	FUNDED RATIO	COVERED PAYROLL	(DEFICIT)/ COVERED PAYROLL	IMPLICIT SUBSIDY INCLUDED IN ACTUARIAL ACCRUED LIABILITY
University of California							
July 1, 2009	$76,893	$15,061,784	$(14,984,891)	0.5%	$7,853,419	(190.8)%	$2,209,278
July 1, 2008	51,221	13,800,249	(13,749,028)	0.4	7,449,796	(184.6)	2,016,401
July 1, 2007	None	12,534,468	(12,534,468)	0.0	6,913,467	(181.3)	1,867,147
Campuses and Medical Centers							
July 1, 2009	76,893	14,541,529	(14,464,636)	0.5	7,637,064	(189.4)	2,129,031
July 1, 2008	51,221	13,302,506	(13,251,285)	0.4	7,245,447	(182.9)	1,940,306
July 1, 2007	None	12,074,689	(12,074,689)	0.0	6,720,789	(179.7)	1,792,229
LBNL							
July 1, 2009	None	520,255	(520,255)	0.0	216,355	(240.5)	80,247
July 1, 2008	None	497,743	(497,743)	0.0	204,349	(243.6)	76,095
July 1, 2007	None	459,779	(459,779)	0.0	192,678	(238.6)	74,918

CAMPUS FACTS IN BRIEF 2010

(Unaudited)

	UCB	UCD	UCI	UCLA	UCM	UCR	UCSD	UCSF	UCSB	UCSC	Systemwide Programs and Administration [3]
STUDENTS											
Undergraduate fall enrollment	25,530	24,770	22,353	26,687	3,190	17,042	23,143		19,814	15,259	
Graduate fall enrollment	10,313	7,383	5,439	13,297	224	2,397	5,967	4,493	3,036	1,516	
Total fall enrollment	**35,843**	**32,153**	**27,792**	**39,984**	**3,414**	**19,439**	**29,110**	**4,493**	**22,850**	**16,775**	
University Extension enrollment	28,983	57,164	25,930	103,207		21,462	53,656		3,802	15,614	
DEGREES CONFERRED [1]											
Bachelor	7,249	5,762	5,625	7,220	278	3,055	5,323	2	4,881	3,271	
Advanced	3,249	1,725	1,617	4,392	11	595	1,825	729	962	407	
Cumulative	560,706	215,036	136,244	480,666	422	79,822	138,492	47,501	188,173	84,211	
FACULTY AND STAFF (full-time equivalents)	14,131	20,999	12,712	29,305	1,083	4,818	19,612	18,813	6,095	4,489	2,587
LIBRARY COLLECTIONS [5] (volumes)	11,026,554	4,156,057	3,122,256	8,513,350	698,477	2,572,462	3,350,384	662,807	2,996,397	2,080,985	
CAMPUS LAND AREA (in acres)	6,679	7,149	1,474	419	7,045	1,931	2,141	255	1,055	6,088	16

CAMPUS FINANCIAL FACTS [2] (IN THOUSANDS OF DOLLARS)

	UCB	UCD	UCI	UCLA	UCM	UCR	UCSD	UCSF	UCSB	UCSC	Systemwide Programs and Administration [3]
OPERATING EXPENSES BY FUNCTION											
Instruction	$ 538,649	$ 538,361	$ 424,940	$ 1,143,524	$ 23,317	$ 162,180	$ 513,800	$ 180,117	$ 196,384	$ 119,956	$ 836,602
Research	508,058	478,476	224,826	676,315	14,153	96,563	665,985	665,367	162,229	98,587	552,889
Public service	55,393	55,176	16,794	96,140	5,158	4,765	17,482	84,462	7,595	12,279	190,300
Academic support	110,696	142,330	113,537	319,987	10,570	27,088	196,305	271,208	29,217	27,032	326,359
Student services	114,613	62,065	64,921	68,428	8,173	41,217	66,999	17,241	67,093	50,069	99,960
Institutional support	117,196	83,845	34,528	138,551	24,842	38,977	104,407	107,621	33,969	29,755	371,276
Operation & maintenance of plant	71,518	82,213	39,169	85,722	10,286	28,277	64,688	72,411	31,796	23,207	93,138
Student financial aid	83,988	66,845	70,886	61,864	7,254	47,424	94,148	33,665	64,387	13,186	633
Medical centers		996,321	535,388	1,223,432			720,920	1,583,444			768,285
Auxiliary enterprises	119,885	81,224	98,596	238,457	8,535	53,339	108,026	31,214	75,605	83,477	87,281
Depreciation & amortization	149,835	182,548	138,685	237,387	18,008	52,904	188,641	167,668	70,700	49,072	11,686
Impairment of capital assets								22,803			
Other [4]	26,443	6,215	8,449	17,271	893	2,105	9,144	11,181	6,191	2,110	(2,337)
Total	**$1,896,274**	**$2,775,619**	**$1,770,719**	**$4,307,078**	**$131,189**	**$ 554,839**	**$2,750,545**	**$3,248,402**	**$ 745,166**	**$508,730**	**$3,336,072**
GRANTS AND CONTRACTS REVENUE											
Federal government	$ 356,836	$ 357,906	$ 212,222	$ 638,689	$ 12,303	$ 70,893	$ 635,847	$ 595,684	$ 137,803	$ 94,807	$ 23,226
State government	121,756	109,067	22,673	61,564	25,431	16,006	41,848	81,380	12,392	12,023	33,488
Local government	4,980	17,705	4,402	37,162	7	3,595	11,082	100,876	1,176	327	4,641
Private	171,377	126,317	61,456	184,062	2,970	17,783	193,337	237,068	42,449	22,334	20,205
Total	**$ 654,949**	**$ 610,995**	**$ 300,753**	**$ 921,477**	**$ 40,711**	**$ 108,277**	**$ 882,114**	**$1,015,008**	**$ 193,820**	**$129,491**	**$ 81,560**
UNIVERSITY ENDOWMENTS											
Endowments	$ 1,704,527	$ 435,081	$ 50,213	$ 1,102,732	$ 17,791	$ 37,261	$ 161,026	$ 743,411	$ 79,166	$ 54,987	$ 1,055,030
Annual income distribution	76,837	20,078	2,624	32,284	1,361	1,633	6,282	34,729	3,199	2,600	25,342
CAMPUS FOUNDATIONS' ENDOWMENTS											
Endowments	$ 945,318	$ 182,481	$ 191,839	$ 1,110,981	$ 5,087	$ 76,887	$ 340,694	$ 492,755	$ 107,990	$ 46,856	
CAPITAL ASSETS											
Capital assets, at net book value	$ 2,916,673	$ 3,002,384	$ 2,592,448	$ 4,645,629	$ 392,704	$1,012,283	$ 2,677,750	$ 2,856,384	$1,230,489	$ 992,615	$ 143,692
Capital expenditures	342,821	331,218	331,522	269,851	43,611	112,210	428,416	421,309	64,176	153,111	12,842

[1] As of academic year 2008-09.

[2] Excludes DOE laboratories.

[3] Includes expenses for Systemwide education and research programs, Systemwide support services and administration. Full-time equivalents count, as of fall 2009, includes employees at all campuses involved in systemwide activities, including Agriculture and Natural Resources.

[4] Includes non-capitalized expenses associated with capital projects and write-off, cancellation and bad debt expense for loans.

[5] As of June 30, 2009.

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