Attachment 3

UNIVERSITY
OF
CALIFORNIA

Medical Centers Report

19/20

University of California Health is committed to nothing less than the well-being of all Californians. As one of the nation's largest academic health systems, we combine teaching, research and public service to provide high quality care to millions of patients each year and to drive the medical advances that save lives.

UNIVERSITY
OF
CALIFORNIA
HEALTH

UNIVERSITY OF CALIFORNIA

Medical Centers
19/20 Annual Financial Report

TABLE OF CONTENTS

3 Letter from the Executive Vice President

Medical Centers

4 The University of California, Davis Medical Center

8 The University of California, Irvine Medical Center

12 The University of California, Los Angeles Medical Center

16 The University of California, San Diego Medical Center

20 The University of California, San Francisco Medical Center and Children's Hospital and Research Center Oakland

26 Management's Discussion and Analysis

52 Report of Independent Auditors

Financial Statements, University of California Medical Centers

54 Statements of Net Position

56 Statements of Revenues, Expenses and Changes in Net Position

58 Statements of Cash Flows

62 Notes to Financial Statements

112 Required Supplementary Information

118 University of California Regents and Officers

Letter from the Executive Vice President

This is my first annual report as Executive Vice President of University of California Health (UCH) and, as you know, it has been an extraordinary year.

The 2019–2020 fiscal year was divided into a clear pre-COVID-19 phase which ended in February 2020, when the first known case of community-based transmission in the United States was detected by UC Davis Health. From there, we entered the current reality of life with the SARS-CoV-2 virus and COVID-19, the multifaceted disease that results from infection.

The pre-COVID-19 period of this fiscal year was strong and consistent with expectations. The spring produced a sharp drop in revenue, as we intentionally drew down census as part of California's emergency preparations for COVID-19 patients. The revenue drop was coupled with significant expenses as we added nearly 1,500 beds in surge capacity, developed in-house SARS-CoV-2 testing, purchased personal protective equipment (PPE) and supported increased staffing. The health centers of the University of California form the backbone of the state public hospital system, and I could not be prouder of the care we delivered across California and in locations that were harder hit including New York City, the Navajo Nation and Mexico.

Our central role in the state's health care system also is evidenced by the financial recovery that began in summer 2020 and continues to this day. We resumed essential services with enhanced safety protocols in May, which resulted in census levels steadily rising to near pre-pandemic levels. As revenues began to rise, some of the expenses associated with pandemic management began to moderate. Federal stimulus funds via the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided additional relief, although it did not close the gap.

Our academic health centers and health professional schools have been at the center of UC's coordinated response to the pandemic. The UCH Coordinating Committee brought together subject matter experts from across our entire enterprise to support the University's Management Response Team and leadership. Throughout my inaugural year, I have seen the best of our system as we responded with compassion, expertise and innovation to one unprecedented event after another.

What's emerged is evidence of an adaptable and resilient organization building on lessons learned and seizing new strategic opportunities. Telehealth has come into its own — both as a direct-to-consumer care platform and as a tool to support clinicians working at distant locations. The demand for UC expertise leads us to explore cost-effective ways to expand our services to UC campuses that lack UC health facilities. We have identified opportunities to encourage more of UC's sizable workforce to select UC faculty physicians and facilities for care. The in-house SARS-CoV-2 testing investments developed early in the pandemic can now be leveraged more broadly. Our data analytics and population health capabilities have improved significantly and we now have a data-informed platform to improve care delivery, decrease health disparities, lower costs and add value.

Though the COVID-19 pandemic has tested all of us this year, the shared experience has strengthened us as an organization. Our actions in the coming year will be rooted in our core values, the same values that we have relied upon throughout the pandemic. Our mission is clearer than ever and improving the lives of all Californians remains our north star — Fiat Lux.

CARRIE L. BYINGTON, MD
EXECUTIVE VICE PRESIDENT
UC HEALTH, UNIVERSITY OF CALIFORNIA

The University of California, Davis Medical Center
Service Area and Market Share

The following table presents certain historical utilization statistics for the primary and secondary service areas for the 12-month period ended December 31, 2018. Data for the 12-month period ended December 31, 2018, is the most current data available from the state of California Office of Statewide Health Planning and Development.

MARKET AREA	COUNTIES	# OF ZIP CODES	POPULATION	% OF DISCHARGES	MARKET SHARE
Primary	Sacramento, Placer, Yolo	97	2,182,456	63.4%	11.7%
Secondary	Colusa, El Dorado, San Joaquin, Solano, Sutter, Yuba	92	1,601,763	15.8%	3.7%

The University of California, Davis Medical Center

UC Davis Medical Center is the principal clinical teaching site for the UC Davis School of Medicine and the Betty Irene Moore School of Nursing at UC Davis and is the clinical core of the UC Davis Health system.

The acute care hospital has more than 620 beds and provides a full range of inpatient acute and intensive care, along with a full complement of ancillary, support and ambulatory services. Most of these services are located on approximately 144 acres in the city of Sacramento. Ambulatory care is provided at hospital-based and satellite clinics in Sacramento and the surrounding communities of Auburn, Carmichael, Davis, Elk Grove, Folsom, Natomas, Rancho Cordova, Rocklin and Roseville.

UC Davis Health serves as a major tertiary and quaternary care referral hospital for a 33-county, 65,000-square-mile service area with a population of more than six million. Its services range from heart and vascular surgery to transplant and neurological surgery. It is the only provider of several tertiary/quaternary services between San Francisco and Portland, including level I adult and pediatric trauma care. It is also home to the region's only nationally ranked comprehensive children's hospital and a National Cancer Institute-designated comprehensive cancer center.

UC Davis Health leads multiple cooperative programs with regional health care providers to increase access and quality in both urban and rural settings. For example, the UC Davis Cancer Care Network is comprised of community-based cancer centers in locations such as Marysville, Merced, Bakersfield, Truckee/Tahoe and the southeastern Sierra. Nationally recognized clinical telemedicine and rural affiliation programs work with partners such as community hospitals and Federally Qualified Health Centers (FQHCs), the Veterans Administration, Lawrence Livermore National Laboratory, and Shriners Hospitals for Children–Northern California.

Some significant events of the past year include:

UC Davis Health continues to maintain an outstanding local and national reputation

- The UC Davis Medical Center is the top-ranking hospital in the Sacramento metropolitan area and among the top ten in California, according to the annual U.S. News & World Report "Best Hospitals" 2020-21 survey.
- U.S. News also ranked UC Davis Medical Center one of the nation's best hospitals for 2020-21 in nine adult medical specialties, including cancer care; cardiology and heart surgery; ear, nose and throat; geriatrics; nephrology; neurology and neurosurgery; orthopedics; pulmonology and lung surgery; and urology.
- In U.S. News ratings for common adult care or procedures for 2020-21, UC Davis Medical Center rated as high-performing in abdominal aortic aneurysm repair; chronic obstructive pulmonary disease; colon cancer surgery; heart failure; lung cancer surgery; and transcatheter aortic valve replacement (TAVR), and was high-performing in the gastroenterology and gastrointestinal surgery specialty.

- U.S. News ranked the UC Davis Children's Hospital among the nation's best in four specialties for 2020-21, including neonatology, nephrology, and — together with longstanding partner Shriners Hospitals for Children–Northern California — orthopedics and urology.
- In fall 2018 the American Nurses Credentialing Center (ANCC) renewed UC Davis Medical Center's Magnet® designation for another four-year term. Less than 10 percent of U.S. hospitals generally achieve the designation — considered the nation's highest recognition for nursing excellence — and UC Davis is the only hospital in the Sacramento region to receive it.
- For the sixth consecutive year, Becker's Hospital Review included UC Davis Medical Center on its list of 100 Great Hospitals in America for 2020.
- The UC Davis School of Medicine is now ranked 7th best in the nation for primary care, according to U.S. News & World Report's 2021 graduate school rankings. The Betty Irene Moore School of Nursing's Master's Entry Program and Master's Degree Leadership Program ranked 40th best in the nation.

Regional and national responses to the novel coronavirus (COVID-19) pandemic

Since treating the nation's first known case of community-transmitted COVID-19, UC Davis Health has continued to play important roles in clinical, research and public-health responses to the global pandemic. UC Davis Health did not have to dramatically interrupt patient care, and was able to restore services as quickly as any U.S. academic medical center. Early preparation helped ensure flexibility, continuity of patient service, availability of personal protection equipment (PPE), and safety for employees and patients. The pathology and laboratory medicine unit was able to validate UC Davis Health's own testing capabilities, and now advises officials on a state testing task force. University clinician-scientists also helped set COVID-19 standards at the state and national levels for surgeon safety, maternity care, and other topics. The health system has joined national initiatives to research and develop effective treatments, including for convalescent plasma and remdesivir. Scientists also worked with Verndari, Inc. to evaluate a potential vaccine patch delivery system.

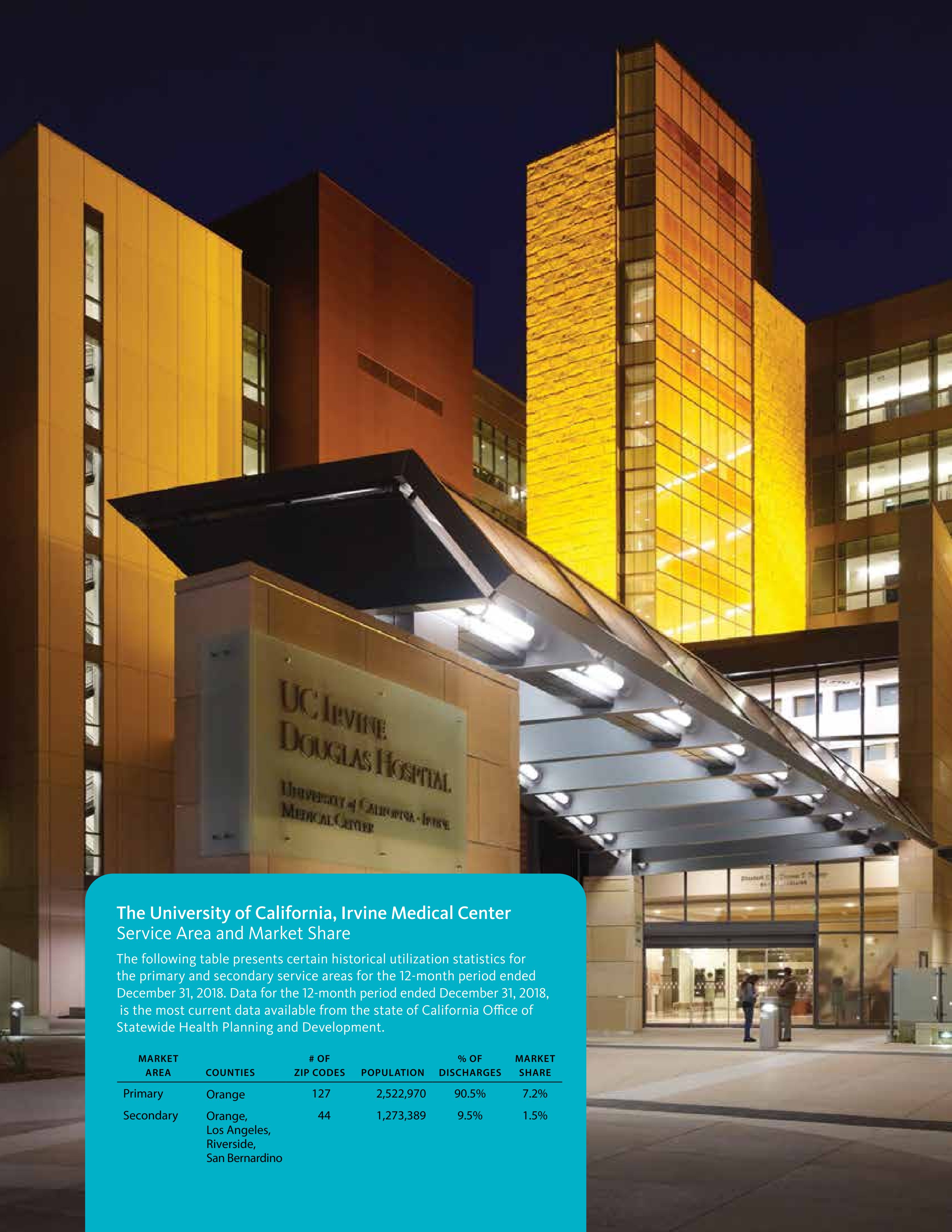
Regional outreach and strategic initiatives

Whether related to the pandemic or increasing health equity, UC Davis Health continues to enhance its ability to provide the right care, at the right time, in the right place to support both our academic and social missions through our operational and financial performance. We continue to evaluate affiliations with remote regional providers, to ensure greater access to tertiary and quaternary services at the hospital, as well as to provide care through telemedicine at hospitals closer to patients' homes — and we are dramatically increasing smartphone video visits within homes. We are also increasing partnerships with FQHCs, recognizing these neighborhood clinics are often a convenient destination for transportation-challenged populations who also utilize wrap-around social services. We continue to provide more access by providing more care at non-UC Davis hospitals through affiliations and contractual agreements that increase local quality and expertise in Northern California's rural markets.

Some highlights include:

- A new agreement to provide exclusive pediatric telehealth services in 14 Northern California counties for the entire managed Medi-Cal population in region.
- Initiatives to operationalize an expanded outpatient care site in South Placer County, a new clinic on the main university campus in Davis, and a new clinic in Sacramento's Point West neighborhood.
- A new online, post-master's certificate program for psychiatric mental health nurse practitioners launched by UCSF, UCLA and the Betty Irene Moore School of Nursing at UC Davis, which is expected to double the state's current pipeline of these professionals.
- The recruitment of a new division of geriatric medicine, complementing the School of Nursing's family caregiving programs.
- The start of construction on the Ernest E. Tschannen Eye Institute on the Sacramento campus.

UCDAVIS
Doctor



The University of California, Irvine Medical Center
Service Area and Market Share

The following table presents certain historical utilization statistics for the primary and secondary service areas for the 12-month period ended December 31, 2018. Data for the 12-month period ended December 31, 2018, is the most current data available from the state of California Office of Statewide Health Planning and Development.

MARKET AREA	COUNTIES	# OF ZIP CODES	POPULATION	% OF DISCHARGES	MARKET SHARE
Primary	Orange	127	2,522,970	90.5%	7.2%
Secondary	Orange, Los Angeles, Riverside, San Bernardino	44	1,273,389	9.5%	1.5%

The University of California, Irvine Medical Center

UCI Medical Center in Orange is a major clinical component of UCI Health, the primary teaching facility for the UCI School of Medicine and the flagship facility of the UCI Health system. Established in 1976, the medical center soon expanded with the addition of the University Hospital Tower, UCI Health Neuropsychiatric Center, Chao Family Comprehensive Cancer Center and the H. H. Chao Comprehensive Digestive Disease Center. The UCI Health Douglas Hospital opened as the main inpatient facility in 2009 and was designed to exceed the needs of a world class academic medical center and provide an exceptional patient experience.

Orange County's only academic medical center, UCI Medical Center is licensed to operate 418 beds and offers specialty inpatient care and specialty/primary care outpatient services, teaching and clinical research.

It serves as the primary tertiary and quaternary care referral center for nearly four million people residing in and around Orange County, western Riverside County and southeastern Los Angeles County. It is also Orange County's only combined Level I Trauma Center and Level II Pediatric Trauma Center verified by the American College of Surgeons, combined high-risk obstetrics and regional neonatal programs, and American Burn Association-verified Regional Burn Center. The UCI Medical Center campus is home to Orange County's only National Cancer Institute-designated comprehensive cancer center, providing access to leading clinical care and trials not available anywhere else in the county.

UCI Health provides inpatient and outpatient services through a clinical practice group of more than 400 faculty physicians and surgeons. Outpatient services are provided at the medical center's pavilion buildings, Chao Family Comprehensive Cancer Center, H. H. Chao Comprehensive Digestive Disease Center and Gottschalk Medical Plaza on the UCI campus. In addition to these locations, UCI Health owns and operates two Federally Qualified Health Centers in Santa Ana and Anaheim to meet the needs of underserved populations in Orange County. The system also operates multiple outpatient primary and specialty care centers around the county.

These sites enable the UCI Health system to provide a full scope of high-quality patient care services to the community and attract a broad and diverse patient population required to support the education and research programs of the UCI School of Medicine.

Significant events during the year are highlighted below:

Notable recognition

For the 20th consecutive year, UCI Medical Center is listed among "America's Best Hospitals," according to the 2020-21 U.S. News & World Report survey. It is the only Orange County hospital consistently rated among the nation's best. The annual rankings recognize hospitals that excel in treating the most challenging patients. For 2020-21, UCI programs in gynecology, urology, nephrology and geriatrics are ranked among the country's top 50. Since 2001, the publication has recognized UCI Health programs in urology, gynecology, geriatrics, cancer, digestive disorders/ gastroenterology & GI surgery, nephrology, orthopedics and ear, nose & throat among the top 50 nationwide.

In 2020, UCI Health earned its 12th consecutive "A" grade in The Leapfrog Group's biannual Hospital Safety Grade, which rates how well hospitals protect patients from errors, injuries and infections. UCI Health features more than 100 physicians listed as Best Doctors in America by Best Doctors Inc., more than any hospital in Orange County.

UCI Medical Center earned "Most Wired" designation in FY2019-2020, as one of the nation's health leaders in information technology, according to Hospitals & Health Networks magazine.

UCI Medical Center received the American Heart Association's 2020 Get with the Guidelines–Gold Plus Quality Achievement Awards for stroke and heart failure care and was recognized on the Association's Target: Heart Failure Honor Roll and the Target: Stroke Elite Plus Honor Roll and received special recognition for Type 2 Diabetes Care.

UCI Health Clinical Network

Primary Care

The UCI Health commitment to community-based primary care presence continues, with access to family medicine, internal medicine, pediatrics and senior health in Placentia, Yorba Linda, Orange, Tustin and the Gottschalk Medical Plaza on the UCI campus in Irvine.

The UCI Health Family Health Center–Anaheim is expanding to a new, larger location to better serve its community. One of two Federally Qualified Health Centers (FQHCs) operated by UCI Health, the Anaheim facility offers medical, dental and behavioral health services. With the Family Health Center–Santa Ana, the UCI Health FQHCs provided more than 82,200 patient visits and delivered care to approximately 23,000 patients last year.

Specialty Care

UCI Health continues to expand its specialty care services. In north Orange County, the UCI Health–Yorba Linda Multispecialty center now offers cancer infusion services to complement existing breast health, cardiology, dermatology, imaging, integrative health, pain management, physical medicine and rehabilitation, and urology specialties.

Along the coast, UCI Health–Newport Beach specialty center offers the community a unique combination of evidence-based integrative health care from world-class specialists. Services include acupuncture, integrative gastroenterology, mindfulness, plastic surgery, integrative cardiology, integrative pain management, naturopathic medicine, integrative dermatology, massage therapy, nutrition, yoga and sports medicine.

Major initiatives to meet the needs of our community

UCI Health COVID-19 response

UCI Health established its unique health care leadership in Orange County when COVID-19 emerged in early 2020 with comprehensive plans to protect health care workers and patients. UCI Medical Center was the first hospital in Orange County to offer COVID-19 diagnostic testing for patients and quickly expanded capacity to manage testing for county health officials, local first responders and neighboring community hospitals. Multiple drive-up testing sites were developed to quickly meet a growing regional demand. UCI Health is the only Orange County Health system to open the NIH-sponsored remdesivir clinical trial and remains the region's leader in COVID-19 treatment and vaccine trials and research.

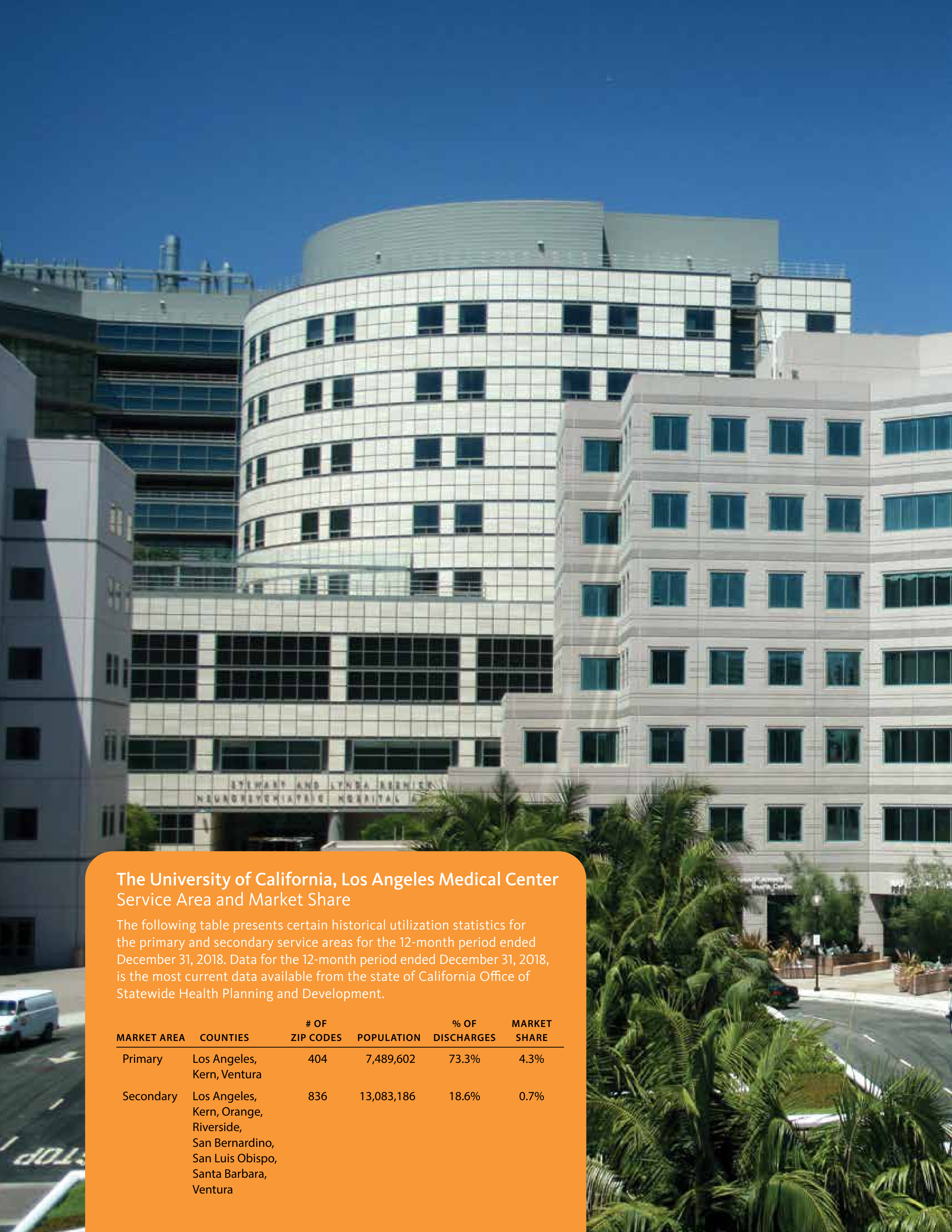
UCI Health Center for Advanced Care

UCI is bringing world-class health care services to coastal and southern Orange County with plans to build the UCI Health Center for Advanced Care, which will be home to the Center for Children's Health, adult specialty care, urgent care and other medical services for the entire family. The 168,000-square-foot UCI Health Center for Advanced Care will be built in an undeveloped part of UCI's North Campus area and will give residents greater accessibility to UCI's world-class physicians, multidisciplinary care and university-backed clinical research. The planned expansion is critical to meeting the patient care needs of the rapidly growing Orange County region.

UCI Medical Center

- Opened a state-of-the-art inpatient critical care unit for cardiovascular surgical patients to support the growing UCI Health commitment to providing world-class cardiovascular medical and surgical care, including Orange County's first vascular assist device implant.
- Opened Orange County's first and only adult hematopoietic stem cell transplantation program to meet the needs of residents suffering from blood-based cancer malignancies.
- Completed an emergency department expansion with additional space for mental health assessments, more emergency beds and expanded triage capabilities.
- Completed the UCI Medical Center Central Utility Plant, which consolidates utilities for many medical center buildings and includes a new chiller plant and emergency power plant to provide power to a majority of buildings on campus. The UCI Health Planning Administration, Design & Construction team received a Merit Award from the Design-Build Institute of America.

NURSE PRACTITIONER
MAXAIR



The University of California, Los Angeles Medical Center
Service Area and Market Share

The following table presents certain historical utilization statistics for the primary and secondary service areas for the 12-month period ended December 31, 2018. Data for the 12-month period ended December 31, 2018, is the most current data available from the state of California Office of Statewide Health Planning and Development.

MARKET AREA	COUNTIES	# OF ZIP CODES	POPULATION	% OF DISCHARGES	MARKET SHARE
Primary	Los Angeles, Kern, Ventura	404	7,489,602	73.3%	4.3%
Secondary	Los Angeles, Kern, Orange, Riverside, San Bernardino, San Luis Obispo, Santa Barbara, Ventura	836	13,083,186	18.6%	0.7%

The University of California, Los Angeles Medical Center

The UCLA Medical Center (UCLA) is the hospital system of UCLA Health — an integrated and comprehensive health system, which also includes the UCLA Faculty Practice Group, responsible for the medical care of UCLA Health patients.

UCLA Health operates licensed-bed facilities at the 445-bed Ronald Reagan UCLA Medical Center (RRUCLA) in Westwood, which includes the UCLA Mattel Children's Hospital (UMCH), the 281-bed UCLA Medical Center, Santa Monica (SMUCLA) in Santa Monica, and the 74-bed Resnick Neuropsychiatric Hospital at UCLA (RNPH) in Westwood. The financial statements also include the activities of the UCLA Tiverton House, a 100-room hotel facility for patients and their families.

UCLA Health also operates over 200 primary and specialty care clinics. Specialty care clinics are located on the hospital campus sites. A large, integrated network of primary and specialty care clinics provide convenient access throughout Southern California.

UCLA is the principal teaching site for the David Geffen School of Medicine at UCLA (DGSOM). The mission is to provide leading-edge patient care in support of the educational and scientific programs of the schools of the UCLA Center for the Health Sciences, including the Schools of Medicine, Dentistry, Nursing and Public Health.

The Westwood campus opened in 1955 as a 320-bed hospital and expanded to 669 beds by 1967. In June 2008, the construction of the RRUCLA then 466-bed and RNPH 74-bed hospital opened for patient care, meeting the seismic requirements of the state of California's SB 1953 Hospital Facilities Seismic Safety Act.

UCLA Health offers patients of all ages comprehensive care, from routine to highly specialized medical and surgical treatment. The Westwood campus is known for its wide range of tertiary and quaternary care offerings including Level I trauma care, regional neonatal and pediatric intensive care units, neurosurgery/neurology and comprehensive stroke center, comprehensive cancer care, blood and marrow transplantation and solid organ transplantation. SMUCLA also serves the teaching and research missions while meeting the health care needs of the community. RNPH is one of the leading centers for comprehensive inpatient psychiatric patient care, research and education in the fields of mental and developmental disabilities and offers a full range of treatment options.

Together, these sites enable UCLA to provide a full spectrum of services and attract the volume and diversity of patients necessary to meet its educational, clinical, research and community services missions.

Significant events during the year are highlighted below:

UCLA Health focuses on patient and employee safety in response to the COVID-19 pandemic

UCLA Health was uniquely positioned to address the COVID-19 pandemic and remained committed to the safety of patients and employees while maintaining high-quality care.

- UCLA Health was one of the first sites in Southern California to offer its own COVID-19 testing and rapidly established a series of drive-through and walk-in patient testing sites.

- UCLA Health quickly converted a newly constructed warehouse in Van Nuys, University of California Southern California Distribution Center, into a personal protective equipment storage and distribution site.
- UCLA Health is participating in several national clinical trials to test convalescent plasma therapy and vaccine trials.
- From January to April, the number of telehealth video visits performed by UCLA Health increased from 958 in a month to nearly 80,000. More than 1,200 UCLA Health providers were rapidly trained to conduct video telemedicine visits.
- UCLA Health joined five of Los Angeles County's largest nonprofit health systems to encourage community members to put their health first and access care when needed in the BetterTogether.Health public-service educational campaign.
- UCLA Health developed Crisis Care Standards that are used as a basis of UC and California standards.

UCLA Health Sciences maintains its outstanding national reputation

- UCLA Health hospitals earned No. 1 in both Los Angeles and California and No. 4 in the nation on the Honor Roll in the 2020-21 U.S. News & World Report (USNWR) Best Hospitals rankings.
- UMCH was recognized in the 2020-21 USNWR Best Children's Hospital rankings with seven specialties ranking on the list of top programs.
- DGSOM tied for No. 6 in research and ranked No. 11 among best medical schools for primary care in the USNWR 2021 annual survey of the best graduate schools in the U.S.
- UCLA Health made the Forbes list for "Best Employers for Diversity" for the second consecutive year — ranking No. 7 in California and No. 21 in the nation — across all industries.
- UCLA Health earned a spot as Top Hospital for Diversity for the second year in a row by BlackDoctor.org, which recognizes U.S. hospitals delivering quality health care while promoting equity and inclusion.
- All four UCLA Health hospitals were recognized by the Human Rights Campaign Foundation on its list of "Leaders in LGBTQ Healthcare Equality" in 2019.
- UCLA Health earned the highest medical technology designation available, Stage 7, in the area of analytics from the Healthcare Information and Management Systems Society.
- RRUCLA and SMUCLA each received an "A," the highest score possible, in The Leapfrog Group's data-driven bi-annual assessment of quality and safety.
- The SMUCLA electric bus, along with the hospital's several commuter strategies, was recognized with a Silver GoSaMo Achievement Award by the Santa Monica Rideshare Program.

UCLA Health continues to strengthen its strategic activities and community initiatives

UCLA's strategic activities remain focused on increasing tertiary and quaternary care delivery in Westwood while expanding its primary and secondary care presence. UCLA Health's commitment to public service is a component of the world-class comprehensive health care routinely offered to patients who need it most, no matter the circumstances.

- UCLA Health and Surgery Partners created a joint venture which acquired a majority share in each of the four Southern California Orthopedic Institute (SCOI) ambulatory surgery centers. This strategic alliance expands UCLA's market presence, rationalizes care by utilizing lower-cost clinical settings, and increases surgical volume for financial, research and educational reasons.
- UCLA Health growth and expansion in the community for increased access to primary and secondary care continued in Marina del Rey and Downtown Los Angeles in Los Angeles County as well as in San Luis Obispo in the Central Coast.
- UCLA Health continued to advise R&F Properties in China on the development of a state-of-the-art, western-style hospital. The 277-bed hospital's construction will be complete in December 2020 with plans to open to the public in June 2021.
- UCLA Health launched a new, web-based platform offered to all major international partners and affiliates that provides easy access to UCLA Health telemedicine services and in-person referrals anywhere in the world.
- Hundreds of UCLA Health employees participated in community fundraising walks, exceeding fundraising goals for the American Heart Association and Leukemia & Lymphoma Society (LLS), achieving a $1 million fundraising milestone in four years as a major LLS sponsor.
- UCLA Health joined forces with the Los Angeles Dodgers Foundation to provide resources for underserved youth. Through the Reviving Baseball in Inner Cities program, staff provided free medical screenings and health education to over 12,000 youth participants and their families.
- Throughout Care Harbor's 11 years in operation, UCLA Health has been a major contributor; it was again a lead sponsor in the 2019 Care Harbor free clinics for Los Angeles County.
- UCLA Health, in partnership with UCLA Extension, developed and launched the UCLA Medical Assistant Program, providing scholarships to applicants to offset tuition.

The University of California, San Diego Medical Center
Service Area and Market Share

The following table presents certain historical utilization statistics for the primary and secondary service areas for the 12-month period ended December 31, 2018. Data for the 12-month period ended December 31, 2018, is the most current data available from the state of California Office of Statewide Health Planning and Development.

MARKET AREA	COUNTY	# OF ZIP CODES	POPULATION	% OF DISCHARGES	MARKET SHARE
Primary	San Diego	77	1,488,294	45.9%	14.4%
Secondary	San Diego	95	1,844,833	32.1%	6.8%

The University of California, San Diego Medical Center

UC San Diego Health Sciences maintains a two-campus strategy, fulfilling its three-part mission of clinical service, teaching and research excellence at locations in the urban area of Hillcrest and the more suburban La Jolla. Each medical complex supports acute inpatient care, emergency services and a spectrum of advanced specialty outpatient programs. The two locations operate under one license with a capacity of 808 beds.

UC San Diego Medical Center in Hillcrest (390 beds), established in 1966 at the site of the former County Hospital, serves as a principal clinical teaching site for the UC San Diego School of Medicine and is a focal point for community service missions. It is home to the area's only Regional Burn Center, one of only two adult Level I Trauma Centers in San Diego County and the state's only chronic kidney disease program certified by The Joint Commission. Its Stroke Center is widely recognized for its excellence in patient care and was one of the first five certified Comprehensive Stroke Centers in the nation. The campus includes the Owen Clinic, founded in 1982 and among the nation's top HIV care programs for men, women and children. Psychiatric services are also offered in Hillcrest, including adult inpatient psychiatric care, intensive outpatient psychiatric care for older adults and an early psychosis program for young adults. To meet the region's growing demand for cancer services, a multidisciplinary cancer clinic, staffed with physicians who specialize in some of the most commonly diagnosed malignancies, recently opened. There are long-range plans to develop the 62-acre Hillcrest campus into a modern, walkable and environmentally sustainable health care district.

The La Jolla campus (418 beds), located on the eastern portion of the main university campus, has been the center of substantial growth in the last decade. Its newer facilities include:

- Koman Family Outpatient Pavilion, opened in 2018, a four-story building that features eight operating rooms for surgeries that once required hospital stays, as well as specialty services in orthopedics and sports medicine, breast oncology and imaging, and urology, among others.
- Jacobs Medical Center (364 beds), opened in 2016, a 10-story building with advanced surgery, oncology, comprehensive stroke care and high-risk obstetrics and gynecology. It is home to the region's highest-volume BMT unit, a level III Neonatal Intensive Care Unit and an intraoperative imaging suite for complex brain surgeries. In 2019, it opened California's first accredited geriatric emergency department.
- Altman Clinical and Translational Research Institute, opened in 2016, supports nearly every clinical trial at UC San Diego Health and has tripled the number of clinical research visits to UC San Diego Health in the last three years.

The La Jolla campus also includes Moores Cancer Center, the region's only National Cancer Institute-designated Comprehensive Cancer Center; Shiley Eye Institute, a multi-specialty vision center with the region's only facility dedicated to children; and Sulpizio Cardiovascular Center (54 beds), the inpatient facility for the newly created Cardiovascular Institute.

Excellence in Clinical Care and Community Health

Hospitals and doctors are not all alike. Across the nation and within California, there are significant variations in the training and expertise of health care providers. UC San Diego Health is proud to deliver high quality, safe care for every patient, while also working to eliminate health disparities among underserved and at-risk communities.

Best Hospital in San Diego — UC San Diego Health is ranked the No. 1 hospital in San Diego and No. 6 in California for 2020-21 by U.S. News & World Report.

More Top Ranked Specialties — It ranks among the nation's best in 10 adult medical and surgical specialties for 2020-21 by U.S. News & World Report — more than any hospital system in San Diego: Pulmonology & Lung Surgery (No. 10); Geriatrics (No. 13); Neurology & Neurosurgery (No. 22); Cardiology & Heart Surgery (No. 31); Gastroenterology and GI Surgery (No. 32); Nephrology (No. 34); Urology (No. 36); Orthopedics (No. 42); Gynecology (No. 46); and Cancer (No. 47).

One of the Top 10 Academic Medical Centers for Patient Care — Its superior performance in quality patient care earned it a 2019 Bernard A. Birnbaum, MD, Quality Leadership Award from Vizient. The ranking is based on the Vizient Quality and Accountability dashboard which measures safety, mortality, clinical effectiveness, efficiency and patient centeredness.

"A's" for Hospital Safety and Top Teaching Hospital — UC San Diego Health's hospitals in both La Jolla and Hillcrest earned top marks from The Leapfrog Group in 2020 for keeping patients safe from preventable harm and medical errors.

Nursing Excellence — It maintains Magnet status from the American Nurses Credentialing Center, considered among the highest recognitions for nursing excellence and innovation in nursing practice.

Information Technology to Enhance Health — UC San Diego Health was listed among "HealthCare's Most Wired" hospital systems by the College of Healthcare Information Management Executives (CHIME) in 2019. The designation recognizes hospitals that apply core and advanced technologies to improve health and care in their communities.

Excellence in Maternity Care — In 2020, it was one of only two health care systems in San Diego County to meet all the maternity care standards identified by The Leapfrog Group as indicative of quality maternity care. Its hospitals have the highest rate of VBAC (vaginal birth after cesarean section) in the region and one of the lowest episiotomy rates in California. Its hospitals are recognized on Newsweek's short list of Best Maternity Hospitals 2020.

LGBTQ Leader — Scored a perfect 100 on the Human Rights Campaign Foundation's LGBTQ Healthcare Equality rating in 2019. It has earned this distinction every year since 2012.

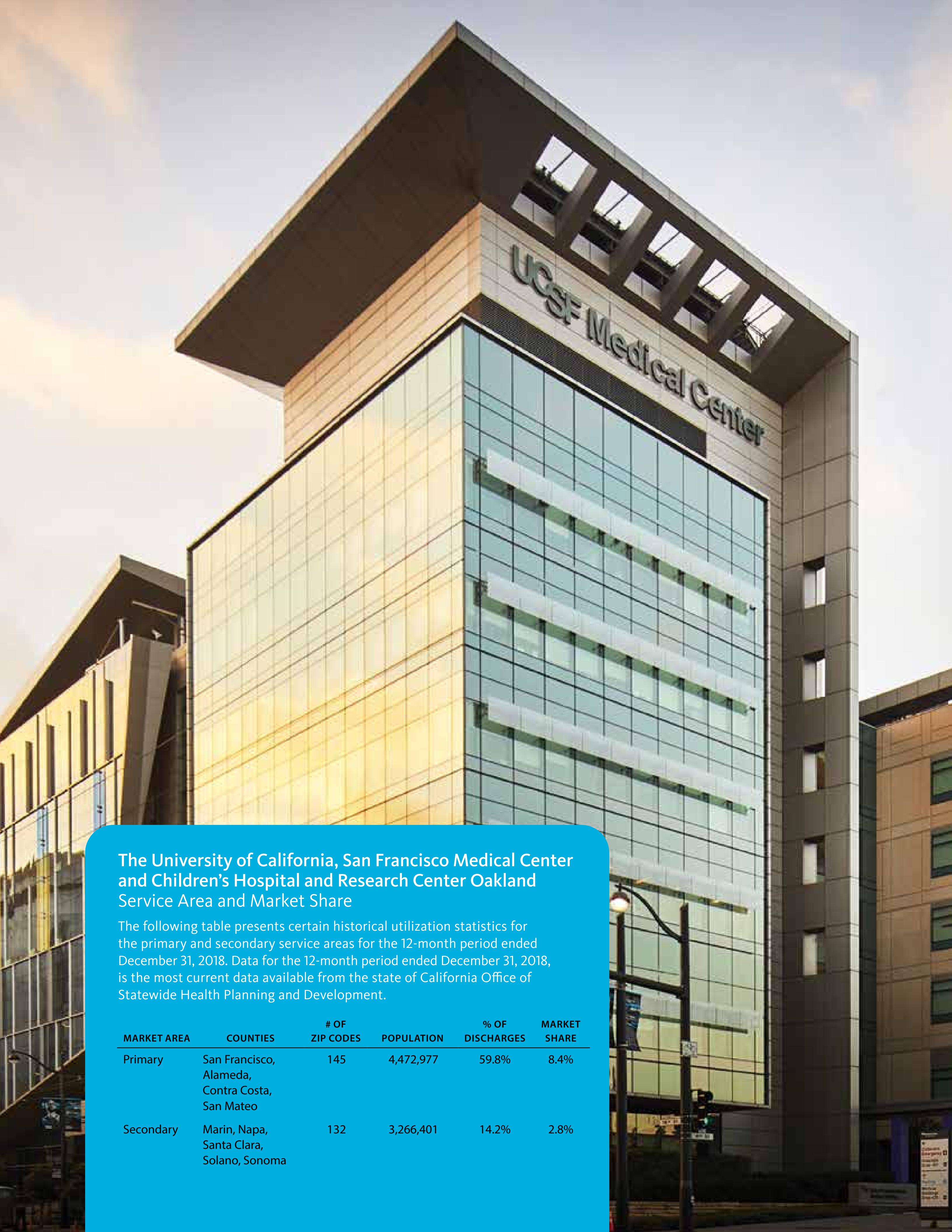
Age-Friendly Health Care — In 2019, UC San Diego Health became the first health care system in San Diego to be recognized by the Institute for Healthcare Improvement as an Age-Friendly Health System — Committed to Care Excellence.

Anti-Racism Task Force — In 2020, it launched a Health Sciences Task Force focused on Anti-Racism, Equity, Diversity and Inclusion, reflecting its commitment to advancing anti-racism and health equity initiatives.

Responding to the COVID-19 Pandemic

The COVID-19 pandemic changed everything in the second half of 2020, and the UC San Diego Health Sciences community rose to the challenge, becoming the first health care system in San Diego to care for COVID-19 patients and the only health care system in the region to deploy a mobile ECMO life support system to help the critically ill. Its scientists developed the region's first in-house COVID-19 testing at the Center for Advanced Laboratory Medicine and its physicians are leading or participating in nine clinical trials, including three national Phase 3 COVID-19 vaccine trials. Its testing capacity, which continues to grow, has been a key component of the University of California, San Diego's Return to Learn program and has been offered to at-risk groups such as the homeless and seniors at skilled nursing facilities. Through its affiliation with El Centro Regional Medical Center in Imperial County, UC San Diego Health care teams are delivering much needed on-site and telemedicine-based critical care to the Imperial Valley.

RN



The University of California, San Francisco Medical Center and Children's Hospital and Research Center Oakland

Service Area and Market Share

The following table presents certain historical utilization statistics for the primary and secondary service areas for the 12-month period ended December 31, 2018. Data for the 12-month period ended December 31, 2018, is the most current data available from the state of California Office of Statewide Health Planning and Development.

MARKET AREA	COUNTIES	# OF ZIP CODES	POPULATION	% OF DISCHARGES	MARKET SHARE
Primary	San Francisco, Alameda, Contra Costa, San Mateo	145	4,472,977	59.8%	8.4%
Secondary	Marin, Napa, Santa Clara, Solano, Sonoma	132	3,266,401	14.2%	2.8%

The University of California, San Francisco Medical Center and Children's Hospital and Research Center Oakland

UCSF Health is comprised of the hospitals of UCSF Medical Center, the UCSF Faculty's Clinical Practices, Langley Porter Psychiatric Hospital and Clinics and UCSF Benioff Children's Hospital Oakland. UCSF Health serves as the principal clinical teaching site for the University of California, San Francisco, School of Medicine, affiliated with the University of California since 1873.

UCSF Medical Center in San Francisco is licensed to provide inpatient care at Moffitt-Long Hospital on the 107-acre Parnassus campus, Mount Zion and at UCSF Benioff Children's Hospital and Bakar Cancer Hospital in San Francisco's Mission Bay neighborhood. UCSF Medical Center also provides outpatient hospital care at the hospital sites and physician clinical care at those hospitals and other locations primarily in San Francisco. It also has a national cancer institute designated as a National Comprehensive Cancer Network Member Institution. The UCSF Medical Center in San Francisco is licensed to operate 1,019 beds.

UCSF Health's financial statements also include the activities of the UCSF Faculty's Clinical Practices — the Faculty Practice Organization. The net revenues from clinical practices are recorded in net patient service revenue; the direct expenses of non-physician staff and nonlabor expenses are included in operating expenses.

Effective January 1, 2014, UCSF Medical Center affiliated with Children's Hospital & Research Center Oakland and the University of California became its sole corporate and voting member. UCSF Benioff Children's Hospital Oakland (BCHO), the 107-year-old hospital retained its status as a private, not-for-profit 501(c)(3) medical center, offering children and their families outstanding medical, surgical and mental health care. BCHO has 190 licensed beds and more than 500 physicians in 43 specialties.

BCHO is one of only five ACS Pediatric Level I trauma centers in the state, and has one of the largest pediatric intensive care units in Northern California.

UCSF Health continues to maintain an outstanding local and national reputation

- UCSF Medical Center is a destination for patients with complex conditions from around the world.
- U.S. News & World Report ranked UCSF Medical Center eighth in the country in its 2020-21 survey and ranked it among the top ten medical centers nationwide in ten of the fifteen specialties for which it was assessed.
- UCSF Benioff Children's Hospitals are recognized as the best hospitals in Northern California in two pediatric specialties and nationally ranked by U.S. News & World Report in all ten specialties.
- The UCSF School of Medicine was ranked second in the nation by U.S. News & World Report in its survey for 2020-21 best medical schools for its primary care training and sixth for its research training.
- UCSF Medical Center is designated as a Magnet® hospital by the American Nurses Credentialing Center (ANCC) which recognizes organizations for quality patient care, nursing excellence and innovations in nursing.

- In September 2019, UCSF Medical Center was named one of "HealthCare's Most Wired" hospitals by the College of Healthcare Information Management Executives (CHIME).
- UCSF Medical Center received a perfect score on the national LGBTQ Healthcare Equality Index (HEI) for 2020 and has been recognized for thirteen consecutive years. The HEI evaluates health care facilities nationwide regarding how they provide equitable, inclusive care for LGBTQ patients and their families.

UCSF Health continues to focus on strategic initiatives and network expansion to meet its mission and community needs

- UCSF Health is self-supporting and uses its margins to meet important needs in the community, including training physicians and other health professionals, supporting medical research, providing care to the medically and financially needy, and building and operating facilities to serve the diverse needs of its patients.
- UCSF Health completed the implementation of its Vision 2020 Health System Strategic Plan designed to foster strategic alignments with other providers to increase access to clinical care regionally. UCSF Health is now launching its new strategic plan — Vision 2025, to further expand on its commitment to provide the most advanced complex care services regionally.
- Canopy Health, a Bay Area-wide health care network developed by UCSF Health, John Muir Health and three physician groups, has grown to include nearly 50,000 members, 5,000 physicians, dozens of care centers and numerous renowned local hospitals spanning nine counties throughout the Bay Area.
- In March 2018, UCSF Health and Sonoma Valley Hospital (SVH) signed an agreement to create an integrated health care network that will serve the needs of Sonoma Valley residents. As a part of the alliance, UCSF Health and SVH have jointly appointed a new CMO and implemented a UCSF teleneurology program.
- In September 2018, UCSF Health signed an agreement with Marin Health to expand clinical collaborations in Marin County, with the goal of improving patient care and strengthening physician practices for the local community. As a part of this alliance, UCSF Health integrated 34 clinics and 190 providers into its network. In November 2019, UCSF Health also began providing Vascular Surgery services in collaboration with Marin Health and Prima Medical Group.
- In September 2018, UCSF Health and John Muir Health signed a letter of intent to develop a cancer network designed to improve prevention, diagnosis and treatment for patients throughout the East Bay. The joint East Bay Cancer Network includes development of distinguished disease-specific treatment capabilities, expanded clinical trial enrollment and precision medicine offerings.
- In June 2019, UCSF Health opened the Bakar Precision Cancer Medicine Building (PCMB), an integrated 170,000 square foot outpatient center dedicated to cancer care. By bringing together researchers, clinicians and supportive care in one building, PCMB sets a new standard for patient care in the Bay Area. Patients have access to the latest, most personalized treatments — including immunotherapy, molecular profiling of tumors and genetic counseling more rapidly than ever before.
- In January 2020, UCSF Health opened at new primary care and specialty care clinic in San Mateo, providing a convenient option for patients who live or work on the Peninsula and are looking for a closer option for UCSF care.
- In January 2020, UCSF Health began operating a cancer center in San Mateo providing advanced care to patients on the Peninsula.
- In February 2020, UCSF Health and John Muir Health opened the first site of their combined cancer network at their jointly owned Berkeley Outpatient Center.
- In March 2020, UCSF Health and Washington Hospital Healthcare System (WHHS) jointly purchased a building in Fremont that will be redeveloped into an outpatient center, expanding UCSF's existing clinical collaboration with WHHS.
- In 2020, UCSF Health affiliated with a number of high-quality physician groups including California Pacific Orthopedics, Circle Medical, Latitude Food Allergy, Laurel Heights Pediatric & Adolescent Care, Pediatric Health Medical Group, Presidio Dermatology and Renaissance Health for Women.

Response to COVID-19

- UCSF Health has taken various actions in response to the COVID-19 pandemic including re-opening inpatient beds at the Mount Zion facility; expanding testing capabilities by opening new testing sites; investing in testing equipment and partnering with other organizations; expanding the use of telemedicine and taking other precautionary measures at its facilities to protect the health of patients and staff.
- UCSF has partnered to source personal protective equipment for UCSF Health and other organizations. UCSF health care workers have also taken voluntary assignments to provide care in areas heavily impacted by the COVID-19 pandemic, including New York City and the Navajo Nation.

UCSF Health
REGISTERED NURSE
REGISTERE
NURSE

FILTER

Management's Discussion and Analysis *(Unaudited)*

INTRODUCTION

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

OVERVIEW

The University of California, Medical Centers (the "Medical Centers") are operating units of the University of California (the "University"), a California public corporation under Article IX, Section 9 of the California Constitution. The University is administered by The Regents of the University of California ("The Regents") of which, under the formation documents of the University, administrative authority with respect to the Medical Centers is vested in the President of the University. The Medical Centers consist of the University of California, Davis Medical Center ("UC Davis Medical Center" or "Davis"), the University of California, Irvine Medical Center ("UC Irvine Medical Center" or "Irvine"), the University of California, Los Angeles Medical Center ("UCLA Medical Center" or "Los Angeles"), the University of California, San Diego Medical Center ("UC San Diego Medical Center" or "San Diego") and the University of California, San Francisco Medical Center ("UCSF Medical Center" or "San Francisco"), each of which provides educational and clinical opportunities for students in the University's Schools of Medicine ("Schools of Medicine") and offers a comprehensive array of medical services including tertiary and quaternary care services. The San Francisco Medical Center's financial statements include Children's Hospital & Research Center Oakland ("CHRCO"), combined with its foundation, a blended component unit of the University of California. The Regents are the sole corporate and voting member of CHRCO, a private, not-for-profit 501(c)(3) corporation. San Francisco provides certain management services for CHRCO. The San Francisco Medical Center's financial statements also include the activities of the UCSF Faculty Clinical Practices.

The Medical Centers' activities are monitored by The Regents' Committee on Health Services. Under the formation documents of the University of California, administrative authority with respect to the Medical Centers is vested in the President of the University, who, in turn, has delegated certain authority to the Chancellor of the applicable campus. At each applicable campus, direct management authority has been further delegated by the applicable Chancellor as follows: for the UC Davis Medical Center, to the Vice Chancellor, Human Health Sciences; for the UC Irvine Medical Center and the UCSF Medical Center, to the applicable Medical Center Director; and for the UCLA Medical Center and the UC San Diego Medical Center, to the Vice Chancellor, Health Sciences.

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally, in the United States and in the state, including cities and counties throughout the state. On March 4, 2020, the Governor declared a state of emergency to help the state prepare and respond to COVID-19, and on March 19, 2020, the Governor issued a statewide order, Executive Order N-33-20, directing all residents to heed current state public health directives to stay home or at their place of residence except as needed to maintain continuity of operations of critical infrastructure sectors during the COVID-19 response. Such orders and restrictions have resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, travel restrictions and cancellations of events. The governor also requested California hospitals to increase their supply of inpatient beds for an expected surge in COVID-19 patients by postponing elective surgeries and discontinuing non-urgent care. Expenses increased at the Medical Centers as a result of operational changes to diagnose, isolate and treat COVID-19 patients. Starting in April certain elective surgeries and non-urgent care were permitted and volumes at the Medical Centers are growing slowly and will continue to recover into 2021. The financial results of the Medical Centers were impacted in 2020 as a result of COVID-19.

OPERATING STATISTICS

The following table presents utilization statistics for the Medical Centers:

(shown in fiscal year)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Licensed beds						
2020	625	418	800	808	1,276	3,927
2019	625	402	800	808	1,276	3,911
2018	625	417	784	808	1,276	3,910
Admissions						
2020	29,841	20,984	36,402	32,646	42,445	162,318
2019	31,782	22,142	40,265	33,605	45,197	172,991
2018	34,763	22,086	40,438	31,715	45,837	174,839
Average daily census						
2020	527	338	686	569	754	2,874
2019	540	348	730	587	789	2,994
2018	535	344	729	552	760	2,920
Discharges						
2020	29,778	20,935	36,429	32,499	42,378	162,019
2019	31,752	22,139	40,233	33,464	45,230	172,818
2018	34,811	21,982	40,526	31,683	45,800	174,802
Average length of stay						
2020	6.5	5.9	6.9	6.4	6.5	6.5
2019	6.2	5.7	6.6	6.4	6.4	6.3
2018	5.6	5.7	6.6	6.4	6.1	6.1
Patient days						
2020	192,959	123,884	250,939	208,187	276,128	1,052,097
2019	197,019	126,864	266,559	214,198	287,882	1,092,522
2018	195,370	125,476	266,020	201,431	277,281	1,065,578
Case mix index[1]						
2020	2.10	2.02	2.21	2.10	2.15	
2019	2.00	1.83	2.09	1.98	2.06	
2018	1.91	1.83	2.03	2.03	2.06	
Outpatient visits						
2020	892,233	804,638	727,374	396,879	2,356,811	5,177,935
2019	946,930	747,187	796,929	399,840	1,985,553	4,876,439
2018	967,695	689,724	775,952	345,276	1,838,829	4,617,476

[1]*Case mix index is calculated at the patient level and is not determinable systemwide.*

Licensed Beds

Licensed beds changed as follows:

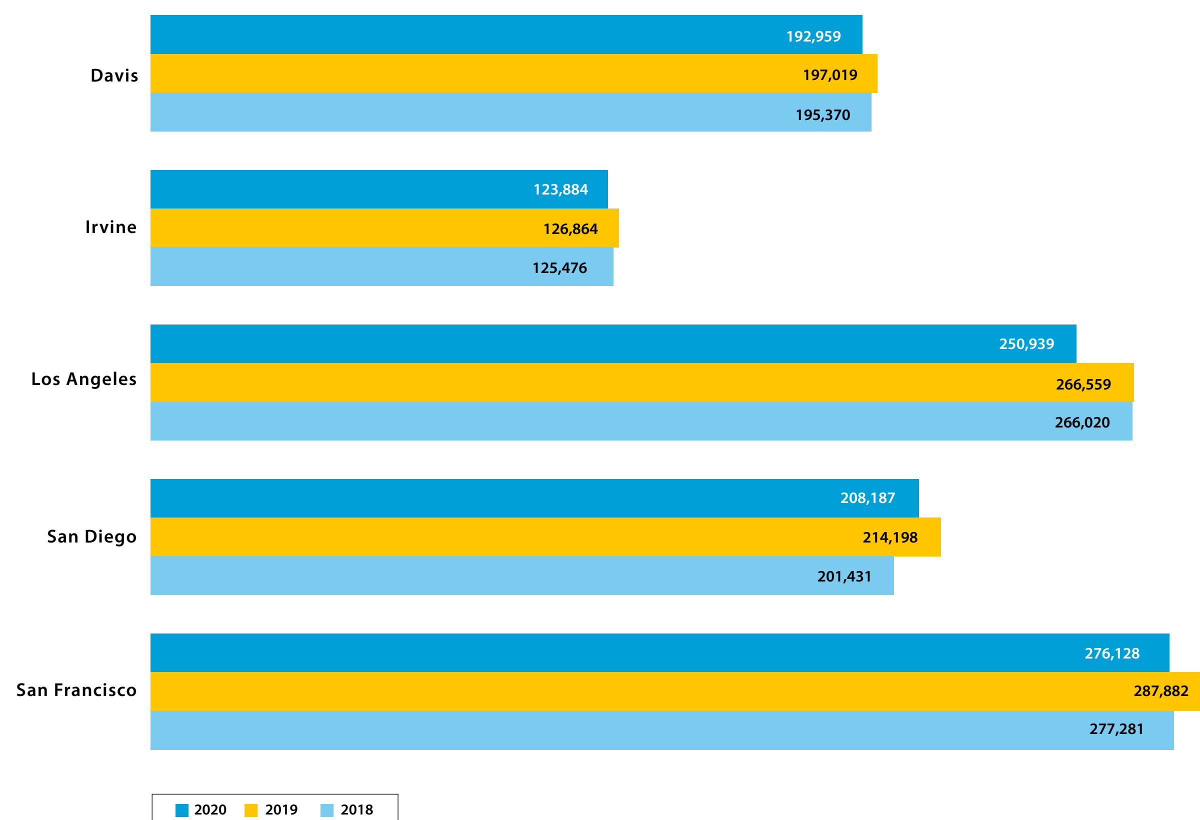
Increased (decreased)

	2020	2019	
Irvine	16	(15)	Increase in 2020 due to opening of a new cardiovascular surgery telemetry unit; decrease in 2019 due to reduction in neonatal intensive care nursery (NICU) beds.
Los Angeles		16	Increase due to opening of new patient unit at the Santa Monica Medical Center.

Admissions and Patient Days

Admissions fluctuate based upon the Medical Centers' market share and overall volumes in the marketplace. Patient days fluctuate based on admissions and the overall length of stay, generally as a result of the complexity of care provided.

Patient days for each Medical Center are as follows:



In 2020, admissions and patient days declined since the Medical Centers complied with state orders to increase their supply of inpatient beds for an expected surge in COVID-19 patients by postponing elective surgeries and discontinuing non-urgent care.

Admissions and patient days changed in 2020 as follows:

Increased (decreased)

	ADMISSIONS		PATIENT DAYS		
Davis	(1,941)	(6.1%)	(4,060)	(2.1%)	Decreases due to lower volumes in March, April, May and June due to COVID-19.
Irvine	(1,158)	(5.2)	(2,980)	(2.3)	Decreases due to lower volumes in March, April, May and June due to COVID-19.
Los Angeles	(3,863)	(9.6)	(15,620)	(5.9)	Decreases due to lower volumes in March, April, May and June due to COVID-19.
San Diego	(959)	(2.9)	(6,011)	(2.8)	Decreases due to lower volumes in March, April, May and June due to COVID-19.
San Francisco	(2,752)	(6.1)	(11,754)	(4.1)	Decreases due to lower volumes in March, April, May and June due to COVID-19.

Admissions and patient days changed in 2019 as follows:

Increased (decreased)

	ADMISSIONS		PATIENT DAYS		
Davis	(2,981)	(8.6%)	1,649	0.8%	Patient admissions decreased slightly; however, observation cases increased. Patient days and average length of stay increased as well as the acuity of the illness.
Irvine	56	0.3	1,388	1.1	Admissions and patient days remained relatively stable.
Los Angeles	(173)	(0.4)	539	0.2	Admissions and patient days remained relatively stable.
San Diego	1,890	6.0	12,767	6.3	Increase due to higher Medicare volume and Emergency Department admissions.
San Francisco	(640)	(1.4)	10,601	3.8	Despite a decrease in admissions, a higher average length of stay resulted in an increase in patient days.

Outpatient Visits

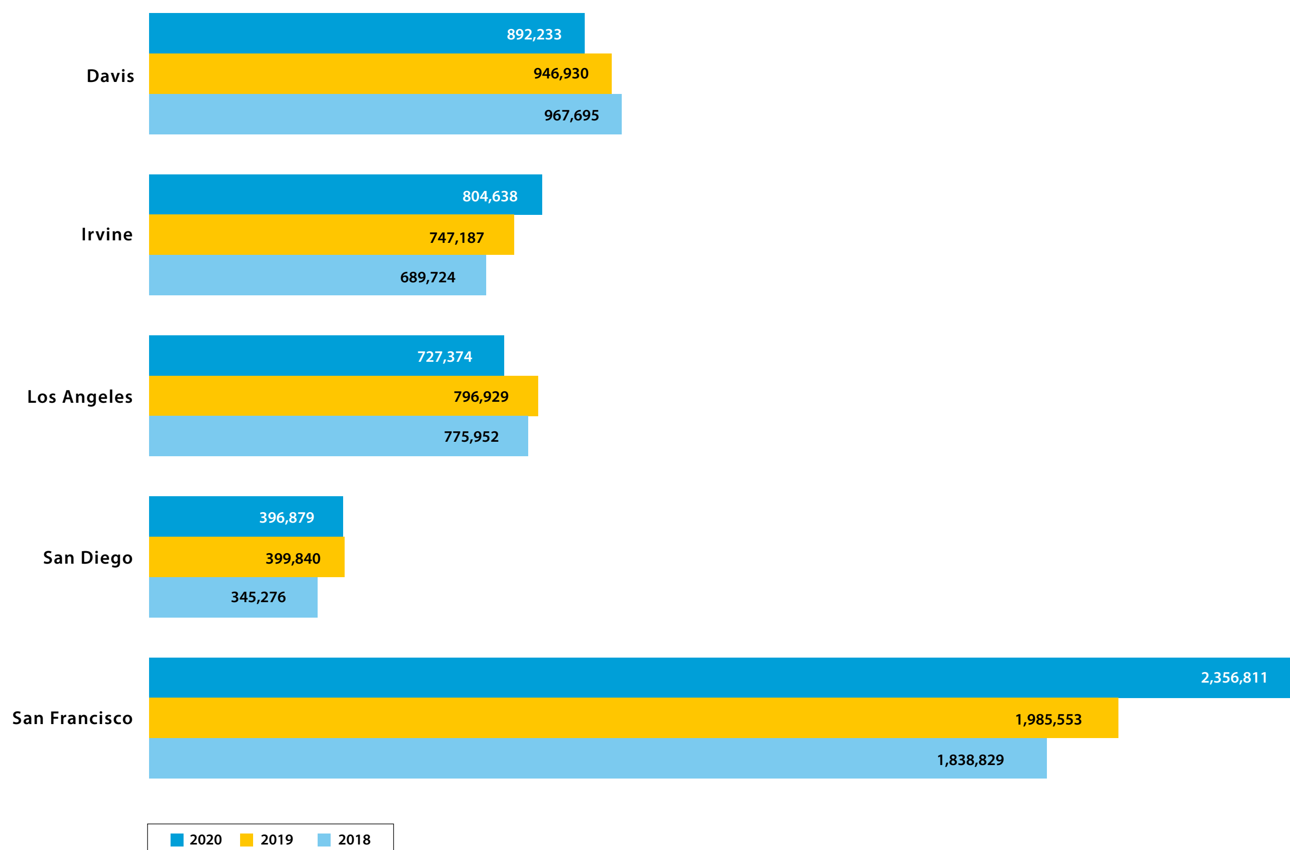
Outpatient services provided by the Medical Centers include clinic visits, home health and hospice, and emergency visits. The following presents outpatient services volume for the Medical Centers:

(shown in fiscal year)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2020						
Hospital clinics	405,793	754,625	653,916	317,928	2,265,310	4,397,572
Community clinics	406,714					406,714
Home health and hospice	24,575					24,575
Emergency visits	55,151	50,013	73,458	78,951	91,501	349,074
Total Medical Center outpatient visits	**892,233**	**804,638**	**727,374**	**396,879**	**2,356,811**	**5,177,935**
School of Medicine and other non-hospital clinic visits[1]	**97,178**	**157,644**	**2,110,425**	**605,020**		**2,970,267**
2019						
Hospital clinics	448,623	694,951	715,105	317,959	1,883,586	4,060,224
Community clinics	417,989					417,989
Home health and hospice	22,258					22,258
Emergency visits	58,060	52,236	81,824	81,881	101,967	375,968
Total Medical Center outpatient visits	**946,930**	**747,187**	**796,929**	**399,840**	**1,985,553**	**4,876,439**
School of Medicine and other non-hospital clinic visits[1]	**25,939**	**149,148**	**2,020,567**	**592,166**		**2,787,820**
2018						
Hospital clinics	449,590	637,403	693,053	267,049	1,736,684	3,783,779
Community clinics	434,804					434,804
Home health and hospice	24,148					24,148
Emergency visits	59,153	52,321	82,899	78,227	102,145	374,745
Total Medical Center outpatient visits	**967,695**	**689,724**	**775,952**	**345,276**	**1,838,829**	**4,617,476**
School of Medicine and other non-hospital clinic visits[1]	**22,525**	**153,454**	**1,867,904**	**567,792**		**2,611,675**

[1]*Related revenues not reported by the Medical Centers. All San Francisco clinic visits are reported as revenues by the Medical Center.*

The outpatient visits volume for each Medical Center is as follows:



Outpatient visits changed in 2020 as follows:

Increased (decreased)			
Davis	(54,697)	(5.8%)	Due to guidance from federal officials, we prepared to accommodate afflicted patients with COVID-19 and, therefore, reduced services elsewhere.
Irvine	57,451	7.7	Increase due to the implementation of a clinical integration program and the expansion of primary and specialty care services.
Los Angeles	(69,555)	(8.7)	Outpatient visits decreased due to the negative impact of the COVID-19 pandemic on patient volume.
San Diego	(2,961)	(0.7)	Decrease primarily due to the impacts from COVID-19.
San Francisco	371,258	18.7	Outpatient visits increased due to continued growth in primary and specialty care outpatient programs.

Outpatient visits changed in 2019 as follows:

Increased (decreased)			
Davis	(20,765)	(2.1%)	Reduced physician capacity and changes in contracts contributed to the decrease.
Irvine	57,463	8.3	Increase in hospital-based visits and ambulatory off-site clinic expansion.
Los Angeles	20,977	2.7	Increase due to the growth and expansion of outpatient programs.
San Diego	54,564	15.8	Increase primarily due to the first full year of operations at the Koman Family Outpatient Pavilion.
San Francisco	146,724	8.0	Outpatient visits increased due to continued growth in outpatient programs, in particular primary care and emergency medicine.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The following table summarizes the operating results for the Medical Centers for fiscal years:

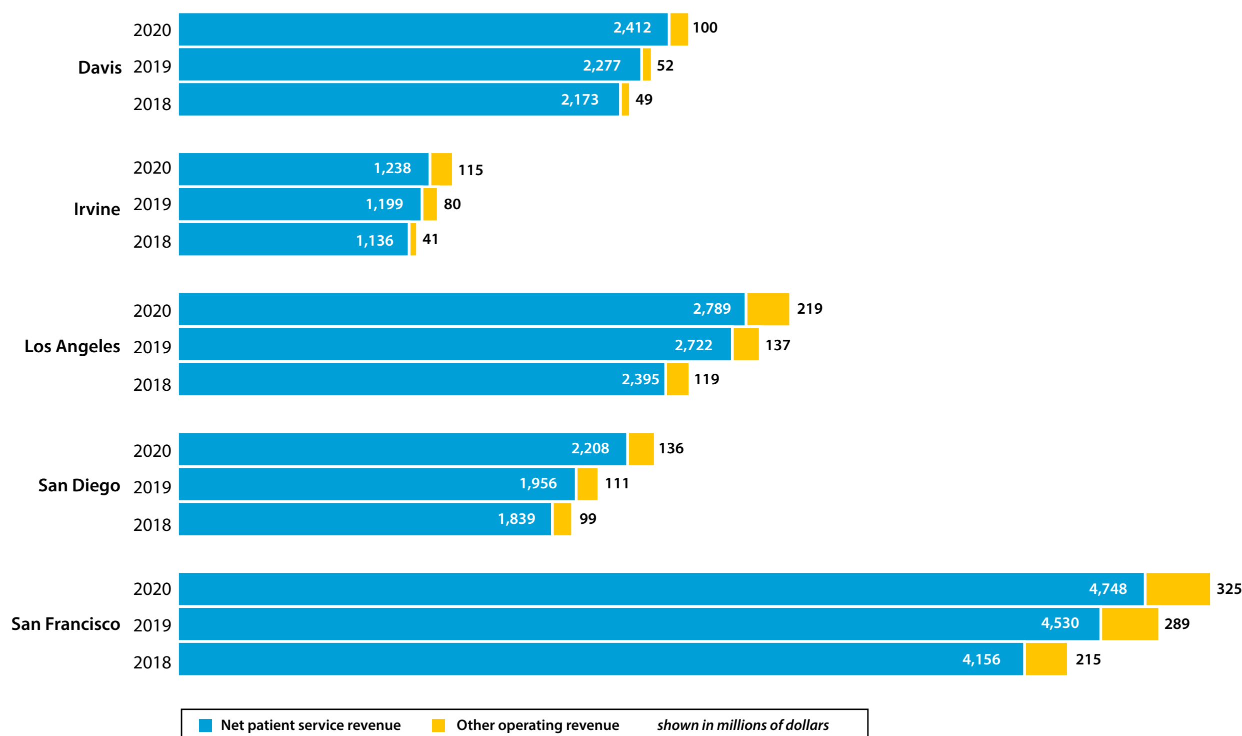
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2020						
Net patient service revenue	$2,412,137	$1,237,590	$2,788,841	$2,208,234	$4,747,624	$13,394,426
Other operating revenue	100,228	115,325	219,401	135,633	324,718	895,305
Total operating revenue	2,512,365	1,352,915	3,008,242	2,343,867	5,072,342	14,289,731
Total operating expenses	2,681,643	1,437,833	2,973,214	2,467,421	5,560,184	15,120,295
Income (loss) from operations	(169,278)	(84,918)	35,028	(123,554)	(487,842)	(830,564)
Net nonoperating revenues	64,998	28,376	90,553	58,592	200,945	443,464
Income (loss) before other changes in net position	(104,280)	(56,542)	125,581	(64,962)	(286,897)	(387,100)
Other changes in net position	(18,639)	(83,290)	(258,975)	(326,982)	(65,998)	(753,884)
Decrease in net position	(122,919)	(139,832)	(133,394)	(391,944)	(352,895)	(1,140,984)
Net position - beginning of year	(623,177)	(235,246)	(352,685)	(340,605)	(302,874)	(1,854,587)
Net position - end of year	**($746,096)**	**($375,078)**	**($486,079)**	**($732,549)**	**($655,769)**	**($2,995,571)**
2019						
Net patient service revenue	$2,276,798	$1,198,881	$2,721,912	$1,955,993	$4,530,333	$12,683,917
Other operating revenue	52,492	80,053	137,019	111,455	288,881	669,900
Total operating revenue	2,329,290	1,278,934	2,858,931	2,067,448	4,819,214	13,353,817
Total operating expenses	2,352,198	1,204,352	2,690,901	2,156,970	4,958,400	13,362,821
Income (loss) from operations	(22,908)	74,582	168,030	(89,522)	(139,186)	(9,004)
Net nonoperating revenues (expenses)	16,360	(9,519)	17,603	(27,678)	44,172	40,938
Income (loss) before other changes in net position	(6,548)	65,063	185,633	(117,200)	(95,014)	31,934
Other changes in net position	(53,131)	(39,259)	(200,094)	(132,633)	(33,093)	(458,210)
Increase (decrease) in net position	(59,679)	25,804	(14,461)	(249,833)	(128,107)	(426,276)
Net position - beginning of year	(563,498)	(261,050)	(338,224)	(90,772)	(174,767)	(1,428,311)
Net position - end of year	**($623,177)**	**($235,246)**	**($352,685)**	**($340,605)**	**($302,874)**	**($1,854,587)**
2018						
Net patient service revenue	$2,172,804	$1,136,417	$2,395,252	$1,838,912	$4,155,733	$11,699,118
Other operating revenue	48,957	41,087	118,813	99,317	214,673	522,847
Total operating revenue	2,221,761	1,177,504	2,514,065	1,938,229	4,370,406	12,221,965
Total operating expenses	2,045,569	1,042,663	2,394,047	1,813,765	4,242,116	11,538,160
Income from operations	176,192	134,841	120,018	124,464	128,290	683,805
Net nonoperating revenues (expenses)	15,612	(12,761)	9,872	(24,959)	46,189	33,953
Income before other changes in net position	191,804	122,080	129,890	99,505	174,479	717,758
Other changes in net position	(46,757)	(30,886)	(201,812)	(155,601)	18,460	(416,596)
Increase (decrease) in net position	145,047	91,194	(71,922)	(56,096)	192,939	301,162
Net position - beginning of year	(708,545)	(352,244)	(266,302)	(34,676)	(367,706)	(1,729,473)
Net position – end of year	**($563,498)**	**($261,050)**	**($338,224)**	**($90,772)**	**($174,767)**	**($1,428,311)**

Revenues

Patient service revenue depends on inpatient occupancy levels, the volume of outpatient visits, the complexity of care provided and the payment rates for services provided. Patient service revenues are net of bad debts and estimated allowances from contractual arrangements with Medicare, Medi-Cal and other third-party commercial payors and have been estimated based on the terms of reimbursement for contracts currently in effect. Other operating revenue consisted primarily of clinical teaching support funds, contracts and grants and other non-patient services such as contributions, pharmacy rebate programs and cafeteria revenues.

The following chart illustrates trends in the net patient service revenue and other operating revenue:



Generally, occupancy levels decreased in 2020 due to the impacts of COVID-19 causing slower growth in revenues; however, other factors, such as the complexity of care, contract price increases and pharmacy volumes offset these declines. Revenues for 2020 as compared to 2019 are as follows:

Increased in millions of dollars

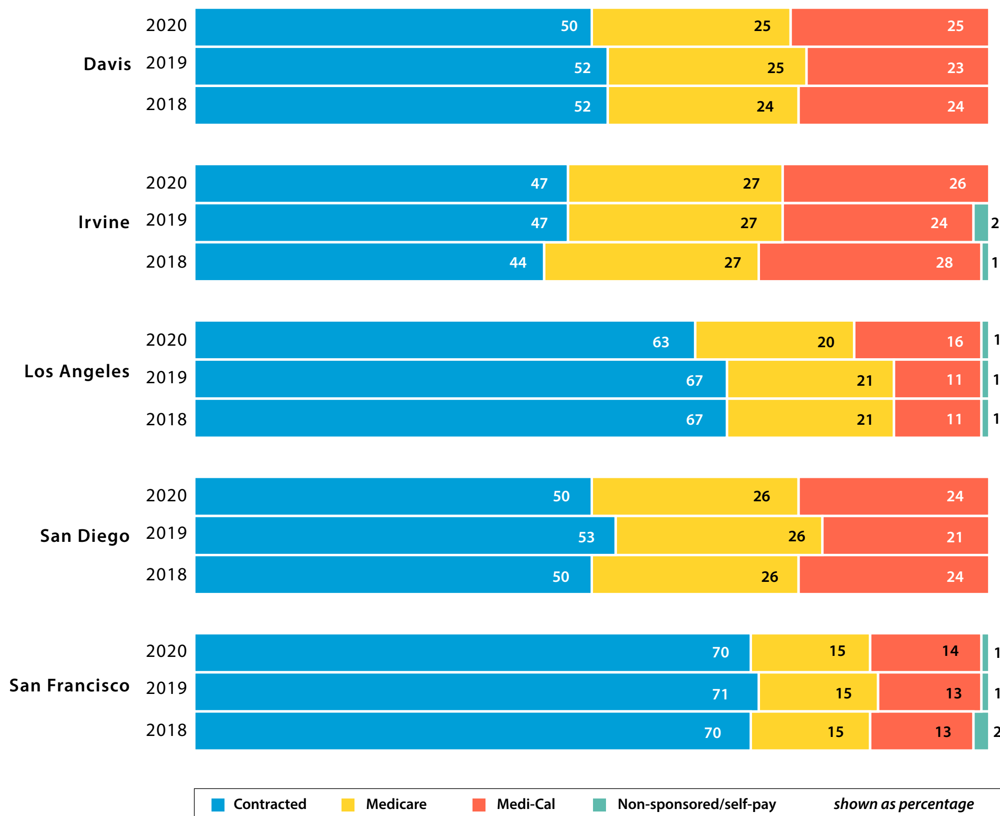
	TOTAL OPERATING REVENUE		NET PATIENT SERVICE REVENUE		
Davis	$183.1	7.9%	$135.3	5.9%	Higher case mix index and growth in the pharmacy volume contributed to the increase in net patient service revenue.
Irvine	74.0	5.8	38.7	3.2	Increase due to growth in outpatient volume, 340B federal drug discount program and specialty pharmacy.
Los Angeles	149.3	5.2	66.9	2.5	Increase due to prior period supplemental funding and growth in pharmacy revenue.
San Diego	276.4	13.4	252.2	12.9	Increase due to growth in outpatient volume, contract price increases, third party adjustments and higher case mix index.
San Francisco	253.1	5.3	217.3	4.8	Increase due to improvement in reimbursement rates, Medi-Cal supplemental payments and pharmacy revenue.

Revenues for 2019 as compared to 2018 are as follows:

Increased in millions of dollars

	TOTAL OPERATING REVENUE		NET PATIENT SERVICE REVENUE		
Davis	$107.5	4.8%	$104.0	4.8%	Increase due to higher Patient Days and Case Mix Index, along with changes in Contracts and Medicare payor mix.
Irvine	101.4	8.6	62.5	5.5	Increase due to growth of patient volume as well as the 340B federal drug discount program and specialty pharmacy revenue.
Los Angeles	344.9	13.7	326.7	13.6	Increase due to contract price increases, growth in outpatient volume and additional supplemental funding.
San Diego	129.2	6.7	117.1	6.4	Increase due to growth in patient volume and contract price increases.
San Francisco	448.8	10.3	374.6	9.0	Increase due to growth in patient volumes, particularly outpatient, improvement in reimbursement rates, Medi-Cal supplemental payments and specialty pharmacy revenue.

The most common payment arrangement for inpatient services is a prospectively determined per-diem rate or case rate. The most common payment arrangement for outpatient care is a prospective payment system that uses ambulatory payment classifications. The following chart illustrates the percentage of net patient service revenue by payor:



Payor mix changed in 2020 as follows:

Davis	Payor mix changed primarily due to lower contracted activity and shift to Medi-Cal.
Irvine	Payor mix changed due to increase in contract revenue offset by decrease in non-sponsored/self-pay.
Los Angeles	Payor mix changed primarily with an increase in Medi-Cal due to significant settlements during the year and a decrease in contract revenue due to a reduction in routine and elective procedures.
San Diego	Payor mix changed primarily due to lower mix of Medicare patients during COVID-19.
San Francisco	Payor mix stayed consistent year over year.

Payor mix changed in 2019 as follows:

Davis	Payor mix remained consistent year over year.
Irvine	Payor mix changed due to increase in contract revenue offset by decrease in Medi-Cal.
Los Angeles	Payor mix was consistent with prior year.
San Diego	Payor mix changed primarily due to an increase in Contract revenue offset by a decrease in Medi-Cal.
San Francisco	Payor mix stayed consistent year over year.

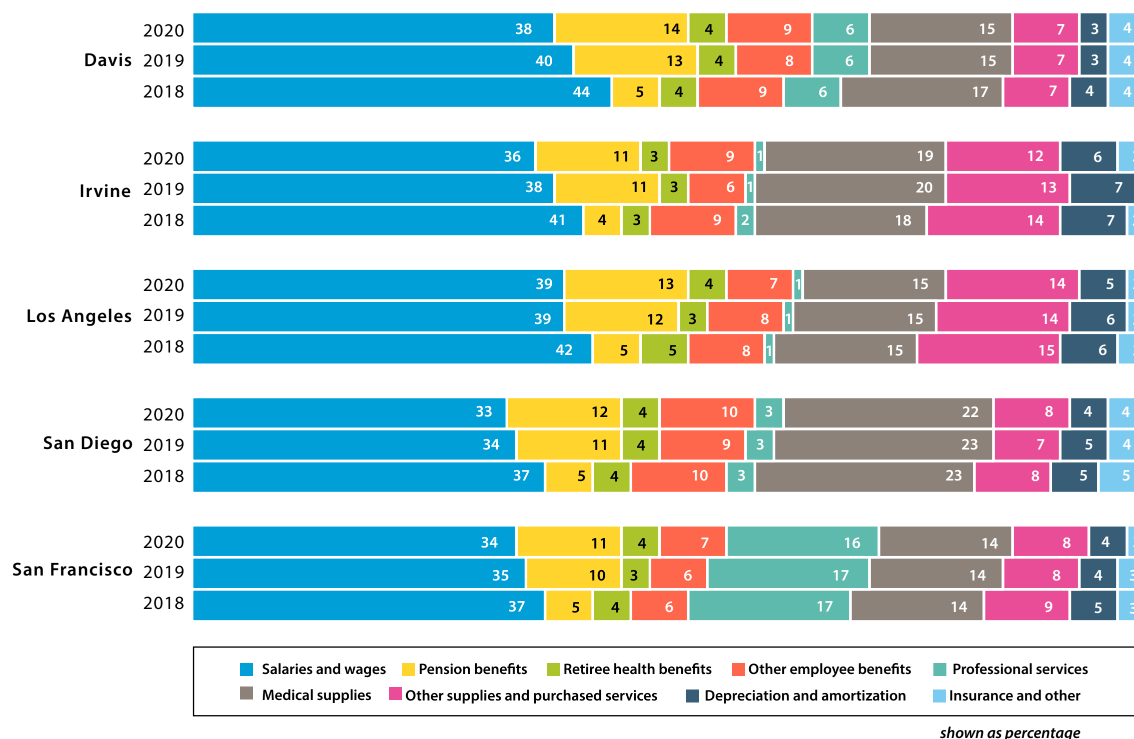
Operating Expenses

Operating expenses fluctuate based on patient statistics, including inpatient occupancy levels, the volume of outpatient visits and the mix of services provided. Expenses are also impacted by inflation and ongoing cost containment efforts by the Medical Centers. In 2020, expenses increased due to the need to make operational changes and purchase additional supplies as a result of COVID-19. Additionally, increases in pension and retiree health benefits expenses have caused significant fluctuations in total operating expenses. The following table summarizes the operating expenses for the Medical Centers:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2020						
Salaries and wages	$1,019,512	$513,528	$1,149,617	$823,038	$1,899,828	$5,405,523
Pension benefits	364,359	161,283	393,679	297,301	634,756	1,851,378
Retiree health benefits	114,897	50,163	111,592	111,080	235,885	623,617
Other employee benefits	237,662	122,655	223,992	238,642	360,464	1,183,415
Professional services	163,467	18,600	37,764	65,834	900,736	1,186,401
Medical supplies	399,436	271,762	447,564	548,123	785,910	2,452,795
Other supplies and purchased services	193,211	170,383	410,364	191,428	430,603	1,395,989
Depreciation and amortization	94,562	86,344	148,411	103,264	203,299	635,880
Insurance and other	94,537	43,115	50,231	88,711	108,703	385,297
Total	**$2,681,643**	**$1,437,833**	**$2,973,214**	**$2,467,421**	**$5,560,184**	**$15,120,295**
2019						
Salaries and wages	$937,657	$452,767	$1,052,871	$741,263	$1,718,914	$4,903,472
Pension benefits	300,946	130,154	315,589	238,764	490,465	1,475,918
Retiree health benefits	85,796	33,989	84,132	80,030	171,511	455,458
Other employee benefits	192,312	71,179	214,621	186,947	311,284	976,343
Professional services	139,095	17,919	31,298	71,961	826,532	1,086,805
Medical supplies	353,221	236,457	412,930	490,104	690,118	2,182,830
Other supplies and purchased services	167,610	151,855	377,532	160,971	409,569	1,267,537
Depreciation and amortization	84,354	84,675	152,840	102,640	212,222	636,731
Insurance and other	91,207	25,357	49,088	84,290	127,785	377,727
Total	**$2,352,198**	**$1,204,352**	**$2,690,901**	**$2,156,970**	**$4,958,400**	**$13,362,821**
2018						
Salaries and wages	$898,454	$427,120	$1,011,430	$671,513	$1,589,405	$4,597,922
Pension benefits	107,400	37,541	121,203	86,068	194,567	546,779
Retiree health benefits	89,497	34,908	109,242	77,397	161,755	472,799
Other employee benefits	174,866	89,914	202,184	185,116	269,081	921,161
Professional services	129,586	22,414	35,315	63,125	726,528	976,968
Medical supplies	344,284	183,205	361,874	408,936	609,932	1,908,231
Other supplies and purchased services	139,897	145,814	360,111	150,869	368,743	1,165,434
Depreciation and amortization	76,331	78,723	147,785	93,379	216,292	612,510
Insurance and other	85,254	23,024	44,903	77,362	105,813	336,356
Total	**$2,045,569**	**$1,042,663**	**$2,394,047**	**$1,813,765**	**$4,242,116**	**$11,538,160**

The following graph illustrates the percentage of operating expenses by type:



shown as percentage

Total operating expenses changed in 2020 as follows:

Increased in millions of dollars			
Davis	$329.4	14.0%	Salaries and wages, as well as pension and retiree health costs, increased due to market conditions. Supplies costs, including temporary labor, increased primarily due to added requirements under COVID-19.
Irvine	233.5	19.4	Increase in salaries, pension benefits, retiree health benefits, other employee benefits, medical supplies, non-medical purchased services and COVID-19 related purchases.
Los Angeles	282.3	10.5	Increase in salaries, pension benefits, retiree health benefits, other employee benefits, medical supplies, and other supplies and purchased services due to wage rate increases and COVID-19 related purchases.
San Diego	310.5	14.4	Overall increases in salaries and wages, pension expense, retiree health expenses and increases in pharmaceutical prices.
San Francisco	601.8	12.1	Increase in salaries, pension and retiree health benefits. Annual cost inflation and effects of COVID-19 also resulted in higher operating expenses.

Total operating expenses changed in 2019 as follows:

Increased in millions of dollars			
Davis	$306.6	15.0%	Salaries and wages, as well as pension costs, increased. Higher census contributed to the overall increase in supplies.
Irvine	161.7	15.5	Increase in salaries and pension benefits. Other employee benefits decreased due to a one-time settlement for self-insured workers' compensation.
Los Angeles	296.9	12.4	Increase in salaries, pension benefits, other employee benefits, medical supplies, and other supplies and purchased services due to volume increases and wage rate increases.
San Diego	343.2	18.9	Increase in pension costs as well as for salaries, pharmaceuticals and other medical supplies due to higher patient volume.
San Francisco	716.3	16.9	Pension and other employee benefits increased. Higher patient volumes and annual cost inflation also resulted in higher operating expenses.

Salaries and Benefits

Salary and employee benefits expenses include wages paid to employees, vacation, holiday and sick pay, payroll taxes, workers' compensation insurance premiums, health insurance, pension and retiree health benefits expenses and other employee benefits. In 2020, salaries and benefits as a percentage of total operating revenues increased primarily due to staffing impacts of COVID-19 and higher pension and retiree health benefit expenses. In 2019, salaries and benefits as a percentage of total operating revenues increased primarily due to higher pension expenses, along with higher salaries related to growth in operations.

(shown as percentage)

	2020	2019	2018	
Davis	69.1%	65.1%	57.2%	Increase due to higher salaries and wages, as well as higher pension and retiree health costs.
Irvine	62.7	53.8	50.1	Increase due to headcount and bargaining contract rate increases and increase in pension, retiree health and other employee benefits.
Los Angeles	62.5	58.3	57.4	Increase mainly due to bargaining contract rate increases, increases in pension, retiree health and other employee benefits.
San Diego	62.7	60.3	52.6	Increase primarily due to higher pension expense and higher retiree health benefits expense as well as an increase in headcount.
San Francisco	61.7	55.9	50.7	Increase due to growth in full-time equivalents and contract rate increases along with increases in pension, retiree health and other employee benefits.

Approximately one-half of the Medical Centers' workforces, including nurses and employees providing ancillary services, expand and contract with patient volumes. Salaries and wages, full-time equivalents and salary and wage rates changed as follows:

Increased in millions of dollars

	2020						2019					
	SALARIES AND WAGES		FULL-TIME EQUIVALENTS		RATE CHANGES		SALARIES AND WAGES		FULL-TIME EQUIVALENTS		RATE CHANGES	
Davis	$81.9	8.7%	236	2.8%	$55.8	5.8%	$39.2	4.4%	209	2.5%	$16.6	1.8%
Irvine	60.8	13.4	276	6.0	27.2	6.6	25.6	6.0	136	3.0	10.5	2.7
Los Angeles	96.7	9.2	277	2.9	64.2	6.1	41.4	4.1	142	1.5	25.7	2.5
San Diego	81.8	11.0	471	5.7	4.5	4.7	69.8	10.4	531	7.5	19.3	2.9
San Francisco	180.9	10.5	684	5.2	91.3	5.3	129.5	8.1	770	6.2	30.0	1.8

Employee benefits changed as follows:

Increased (decreased) in millions of dollars

	2020						2019					
	PENSION		RETIREE HEALTH		OTHER EMPLOYEE BENEFITS		PENSION		RETIREE HEALTH		OTHER EMPLOYEE BENEFITS	
Davis	$63.4	21.1%	$29.1	33.9%	$45.4	23.6%	$193.5	180.2%	($3.7)	(4.1%)	$17.4	10.0%
Irvine	31.1	23.9	16.2	47.6	51.5	72.3	92.6	246.7	(0.9)	(2.6)	(18.7)	(20.8)
Los Angeles	78.1	24.7	27.5	32.6	9.4	4.4	194.4	160.4	(25.1)	(23.0)	12.4	6.2
San Diego	58.5	24.5	31.1	38.8	51.7	27.7	152.7	177.4	2.6	3.4	1.8	1.0
San Francisco	144.3	29.4	64.4	37.5	49.2	15.8	295.9	152.1	9.8	6.0	42.2	15.7

Substantially all full-time employees of the Medical Centers participate in the University of California Retirement Plan (UCRP). Pension expense and contributions for the Medical Centers related to UCRP are as follows:

(In thousands of dollars)

	2020		2019		2018	
	PENSION EXPENSE	**PENSION CONTRIBUTIONS**	**PENSION EXPENSE**	**PENSION CONTRIBUTIONS**	**PENSION EXPENSE**	**PENSION CONTRIBUTIONS**
Davis	$364,359	$121,271	$300,946	$112,545	$107,400	$111,593
Irvine	160,133	56,062	130,671	50,761	38,750	48,153
Los Angeles	393,679	128,640	315,589	121,724	121,203	122,001
San Diego	297,301	92,929	238,764	82,496	86,068	79,580
San Francisco	591,415	179,229	463,320	160,627	172,233	153,693
Total	**$1,806,887**	**$578,131**	**$1,449,290**	**$528,153**	**$525,654**	**$515,020**

The University has a financial responsibility for pension benefits associated with its defined benefit plans. The Medical Centers are required to contribute at a rate set by The Regents. Employer contribution rates were 14.0 percent in 2020, 2019 and 2018, of covered compensation. The employer contribution rate will be increased starting July 1, 2020 by 0.5 percent per year, on July 1st, for six years to 17.0 percent.

Pension expense is allocated to the Medical Centers based on their proportionate share of covered compensation for the fiscal year. Pension expense fluctuates primarily based on expected as compared to actual investment returns and the trend in the Medical Centers' proportionate share of the net pension liability. Pension expenses were higher in 2020 due to significantly lower than expected investment returns. Pension expenses were higher in 2019 primarily driven by changes in assumptions as a result of the most recent experience study, with the reduction in the discount rate and the changes in the mortality tables causing the largest increases. The discount rate used to estimate the net pension liability was 6.75, 6.75 and 7.25 percent in 2020, 2019 and 2018, respectively.

Retiree health benefits expense and contributions for the Medical Centers are as follows:

(In thousands of dollars)

	2020		2019		2018	
	RETIREE HEALTH EXPENSE	**RETIREE HEALTH CONTRIBUTIONS**	**RETIREE HEALTH EXPENSE**	**RETIREE HEALTH CONTRIBUTIONS**	**RETIREE HEALTH EXPENSE**	**RETIREE HEALTH CONTRIBUTIONS**
Davis	$114,897	$22,592	$85,796	$22,032	$89,497	$22,535
Irvine	50,163	10,506	33,989	9,948	34,908	10,170
Los Angeles	111,592	23,906	84,132	23,606	109,242	26,042
San Diego	111,080	17,565	80,030	16,196	77,397	16,088
San Francisco	235,885	36,267	171,511	33,792	161,755	33,182
Total	**$623,617**	**$110,836**	**$455,458**	**$105,574**	**$472,799**	**$108,017**

The University administers single-employer health and welfare plans to provide primarily medical, dental and vision benefits to eligible retirees (and their eligible family members) of the University of California and its affiliates through the University of California Retiree Health Benefit Trust (UCRHBT). The University has a financial responsibility for retiree health benefits associated with UCRHBT. The Medical Centers are required to contribute at a rate assessed each year by the University based upon projected pay-as-you-go financing requirements.

Retiree health benefits expense is allocated to the Medical Centers based on their proportionate share of covered compensation for the fiscal year. Retiree health benefits expenses increased in 2020 due to a decrease in the discount rate. Retiree health expenses decreased slightly in 2019 as a result of the decrease in the discount rate offset by reducing the inflation assumption and strong management of health care costs. The discount rates as of June 30, 2020, 2019 and 2018 were 2.21 percent, 3.50 percent and 3.87 percent, respectively.

Professional Services

Professional services include payments to the Schools of Medicine for physician services in the hospitals and clinics, payments to other health care providers for capitated patients, outside laboratory fees, organ acquisition fees, transcription fees and legal fees. Professional services changed in 2020 as follows:

Increased (decreased) in millions of dollars			
Davis	$24.4	17.5%	Increases primarily due to professional network costs for physician services.
Irvine	0.7	3.8	Slight increase in medical director fees.
Los Angeles	6.5	20.7	Increase due to higher legal fees and other contracted services.
San Diego	(6.1)	(8.5)	Decrease primarily due to realignment of fees paid for physician services.
San Francisco	74.2	9.0	Professional services include the UCSF Faculty Clinical Practices, while other UC Health entities only reflect hospital performance. Increase in expenses relates to the growth of clinical practices.

Professional services changed in 2019 as follows:

Increased (decreased) in millions of dollars			
Davis	$9.5	7.3%	Increase due to expanded hospital-based coverage and external physician services.
Irvine	(4.5)	(20.1)	Consulting fee decreased as Operations Efficiency project was completed.
Los Angeles	(4.0)	(11.4)	Decrease due to lower legal fees.
San Diego	8.8	14.0	Increase primarily due to realignment of fees paid for physician services and higher legal fees.
San Francisco	100.0	13.8	Increase due to growth of patient volumes. Professional services include the UCSF Faculty Clinical Practices, while other UC Health entities only reflect hospital performance.

Medical Supplies

Medical supplies costs fluctuate with patient volumes. Medical supplies are also subject to significant inflationary pressures due to escalating pharmaceutical costs and continued innovation in implants, prosthetics and other medical supplies. The Medical Centers have ongoing initiatives to control supply utilization and to negotiate competitive pricing. In 2020, supplies and equipment expenses increased due to the need for additional personal protective equipment and laboratory supplies to treat COVID-19 patients. Medical supplies expenses, including pharmaceuticals, changed in 2020 as follows:

Increased in millions of dollars			
Davis	$46.2	13.1%	Increase due to continued growth in the 340B federal drug discount program and specialty pharmacy business and purchases related to COVID-19.
Irvine	35.3	14.9	Increase in pharmacy drug costs given the continuing growth in the 340B federal drug discount program and specialty pharmacy business.
Los Angeles	34.6	8.4	Increase due to growth of pharmacy revenue, higher priced pharmaceuticals and COVID-19 related supply expense.
San Diego	58.0	11.8	Increase due to higher pharmaceutical expense supporting new therapies and continued high price increases from pharmaceutical suppliers.
San Francisco	95.8	13.9	Increase primarily due to higher pharmaceutical costs and growth in specialty pharmacy.

Medical supplies expenses, including pharmaceuticals, changed in 2019 as follows:

Increased in millions of dollars			
Davis	$8.9	2.6%	Increase due to continued growth in the 340B federal drug discount program and specialty pharmacy business.
Irvine	53.3	29.1	Increase due to continued growth in the 340B federal drug discount program and specialty pharmacy business.
Los Angeles	51.1	14.1	Increase due to higher pharmaceutical costs as a result of new pharmacy programs, the use of higher priced pharmaceuticals and increased surgical volumes and transplant cases.
San Diego	81.2	19.8	Increase in patient volume, new pharmacy programs including high-cost drugs for new therapies and continued high price increases from pharmaceutical suppliers.
San Francisco	80.2	13.1	Increase primarily due to higher pharmaceutical and blood costs for high-cost treatment therapies as well as a growth of specialty pharmacy activity.

Other Supplies and Purchased Services

Other supplies and purchased services include non-medical supplies, medical purchased services and repairs and maintenance. Other supplies and purchased services changed in 2020 as follows:

Increased in millions of dollars			
Davis	$25.6	15.3%	Increase due to higher purchased medical services and technology costs as a result of COVID-19.
Irvine	18.5	12.2	Increase mainly due to higher purchased medical services and technology costs as a result of continuing growth in ambulatory clinics and COVID-19 related purchases.
Los Angeles	32.8	8.7	Increase due to higher repairs and maintenance costs and other COVID-19 related purchases.
San Diego	30.5	18.9	Increase primarily due to higher clinic visits, increased support services, new costs for COVID-19 programs and increased repairs and maintenance costs.
San Francisco	21.0	5.1	Increase due to higher costs related to COVID-19.

Other supplies and purchased services changed in 2019 as follows:

Increased in millions of dollars			
Davis	$27.7	19.8%	Seismic renovations and much higher repairs and maintenance costs led to the increase.
Irvine	6.0	4.1	Medical purchased services increase due to growth in ambulatory clinics.
Los Angeles	17.4	4.8	Increase in purchased services as a result of more transplant cases and increased patient volumes.
San Diego	10.1	6.7	Increase was in line with higher outpatient patient volume.
San Francisco	40.8	11.1	Increase due to higher purchased medical services as a result of increased patient volumes and repairs and maintenance costs.

Depreciation and Amortization

Depreciation and amortization expense changed in 2020 as follows:

Increased (decreased) in millions of dollars			
Davis	$10.2	12.1%	Increase due to completion of seismic projects.
Irvine	1.7	2.0	Increase due to the completed chiller and electrical plants and new equipment that were placed in service during the year.
Los Angeles	(4.4)	(2.9)	Decrease due to more fully depreciated assets and deferred new capital projects during the year resulting in lower depreciation expense.
San Diego	0.6	0.6	Increase due to completed projects and new equipment that were placed in service during the year.
San Francisco	(8.9)	(4.2)	Decrease due to large assets becoming fully depreciated during the year.

Depreciation and amortization expense changed in 2019 as follows:

Increased (decreased) in millions of dollars

Davis	$8.0	10.5%	Higher software costs and completion of a hospital administration building contributed to the increase.
Irvine	6.0	7.6	Increase due to completed projects and new equipment that were placed in service during the year.
Los Angeles	5.1	3.4	Increase due to completed projects and new equipment that were placed in service during the year.
San Diego	9.3	9.9	Increase reflects first full year of Koman Family Outpatient Pavilion and other projects and equipment.
San Francisco	(4.1)	(1.9)	Decrease due to large assets becoming fully depreciated during the year.

Insurance

The Medical Centers are insured through the University's and its captive insurance company for malpractice, general liability, workers' compensation and health and welfare benefits. All claims and related expenses are paid from the University's self-insurance funds or its captive insurance company. Rates for each Medical Center are established based upon claims experience and insurance costs increase or decrease with favorable or unfavorable claims experience. CHRCO has a claims-made policy for malpractice and is self-insured for workers' compensation and health and welfare benefits.

Income (Loss) from Operations

The Medical Centers reported income (loss) from operations and operating margins of:

(in millions of dollars)

	2020		2019		2018	
	INCOME (LOSS) FROM OPERATIONS	**OPERATING MARGIN**	**INCOME (LOSS) FROM OPERATIONS**	**OPERATING MARGIN**	**INCOME FROM OPERATIONS**	**OPERATING MARGIN**
Davis	($169.3)	(6.7%)	($22.9)	(1.0%)	$176.2	7.9%
Irvine	(84.9)	(6.3)	74.6	5.8	134.8	11.5
Los Angeles	35.0	1.2	168.0	5.9	120.0	4.8
San Diego	(123.6)	(5.3)	(89.5)	(4.3)	124.5	6.4
San Francisco	(487.8)	(9.6)	(139.2)	(2.9)	128.3	2.9
Total	**($830.6)**		**($9.0)**		**$683.8**	

In 2020, operating margins declined due to the impacts of COVID-19 and increases in pension and retiree health benefits expenses. A portion of the declines in operating margin were mitigated by grants received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act; however, accounting standards require that these funds be reported as nonoperating revenues in the financial statements. In 2019, while patient days and outpatient visits increased, operating results declined due to a large increase in pension expense driven by changes in assumptions for the discount rate and extended mortality.

Nonoperating Revenues (Expenses)

Nonoperating revenues and expenses include direct government grants from the CARES Act, Hospital Fee Program revenue, federal subsidies for bond interest, private gifts, investment income, interest expense and changes in fair value expense and losses on disposals of capital assets. Nonoperating revenues and expenses for the years that ended June 30 are as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Net nonoperating revenues (expenses):						
2020	$64,998	$28,376	$90,553	$58,592	$200,945	$443,464
2019	16,360	(9,519)	17,603	(27,678)	44,172	40,938
2018	15,612	(12,761)	9,872	(24,959)	46,189	33,953

In 2020, the Medical Centers received grants under the CARES Act Provider Relief Fund to minimize the impacts of lost revenues and increased expenses related to treating COVID-19 patients. Grants to the Medical Centers from the CARES Act were as follows:

(in thousands of dollars)	
Davis	$71,496
Irvine	34,627
Los Angeles	98,703
San Diego	89,206
San Francisco	144,542
Total	**$438,574**

Net nonoperating revenues increased, primarily due to the CARES Act grants, in 2020 as follows:

(in millions of dollars)			
Davis	$48.6	297.3%	Increase due to fundings from the COVID-19 CARES Act Provider Relief Fund.
Irvine	37.9	398.1	Increase due to fundings from the COVID-19 CARES Act Provider Relief Fund.
Los Angeles	73.0	414.4	Increase due to fundings from the COVID-19 CARES Act Provider Relief Fund.
San Diego	86.3	311.7	Increase due to fundings from the COVID-19 CARES Act Provider Relief Fund.
San Francisco	156.8	354.9	Increase due to government direct grants related to COVID-19 and private gifts partially offset by higher interest expense.

Net nonoperating revenues (expenses) improved (declined) in 2019 as follows:

(in millions of dollars)			
Davis	$0.7	4.8%	Higher interest rates and return on investments was offset by expenses related to the future obligation to retire a portion of the hospital.
Irvine	3.2	25.4	Increase in STIP interest income and Hospital Fee Program grant.
Los Angeles	7.7	78.3	Increase primarily due to increased investment income and net appreciation of fair value for long-term investments.
San Diego	(2.7)	(10.9)	Decrease due to recognition of asset retirement obligations required by GASB 83 which was adopted this year.
San Francisco	(2.0)	(4.4)	Decrease due to costs incurred related to affiliates offset by higher investment income.

Income (Loss) Before Other Changes in Net Position

Income (loss) before other changes in net position generally fluctuate consistent with operating results; however, grants from the CARES Act in 2020, which are intended to mitigate operating losses, are reporting as nonoperating revenues. Income (loss) before other changes in net position for the Medical Centers is as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2020	($104,280)	($56,542)	$125,581	($64,962)	($286,897)	($387,100)
2019	(6,548)	65,063	185,633	(117,200)	(95,014)	31,934
2018	191,804	122,080	129,890	99,505	174,479	717,758

Income (loss) before other changes in net position changed in 2020 as follows:

Increased (decreased) in millions of dollars

Davis	($97.7)	(1,492.5%)	Expenses related to COVID-19, along with increases in salaries, benefits and operating expenses outpaced revenue growth.
Irvine	(121.6)	(186.9)	Decrease due to COVID-19 resulting in lower volumes without corresponding decrease in expenses. Significant increases in salaries, pension, retiree health benefits, medical supplies and purchased services. The COVID-19 impact was partially offset by fundings from the CARES Act Provider Relief Fund.
Los Angeles	(60.1)	(32.3)	Decrease due to COVID-19 disrupting normal operations resulting in a significant reduction in revenue and additional incremental expenses. The negative financial impact of COVID-19 was partially offset by fundings from the CARES Act Provider Relief Fund.
San Diego	52.2	44.6	Increase driven by positive third-party adjustments and increased contract pharmacy revenue.
San Francisco	(191.9)	(202.0)	Decrease primarily due to COVID-19 and resulting lower volumes without corresponding decrease in expenses. Significant increases in pension and retiree health benefits.

Income (loss) before other changes in net position changed in 2019 as follows:

Increased (decreased) in millions of dollars

Davis	($198.4)	(103.4%)	Expenses slightly outpaced revenue, and pension expense increased.
Irvine	(57.0)	(46.7)	Decrease due to overall increase in salaries, pension benefits, pharmacy and medical supplies expenses outpaced revenue growth.
Los Angeles	55.7	42.9	Increase primarily due to the growth in net patient service revenue which outpaced expenses.
San Diego	(216.7)	(217.8)	Decrease due to pension and salary costs.
San Francisco	(269.5)	(154.5)	Decrease primarily due to higher pension costs and a reduction of prior year Medicare cost report settlements and Medi-Cal supplemental funds approved in the year.

Other Changes in Net Position

Health system support includes amounts paid to the Schools of Medicine by the Medical Centers to fund the operating activities, clinical research and faculty practice plans, as well as other payments for various programs. Transfers from the respective campuses to fund capital projects are reported as contributions for building programs. The following table presents total other changes in net position as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2020	($18,639)	($83,290)	($258,975)	($326,982)	($65,998)	($753,884)
2019	(53,131)	(39,259)	(200,094)	(132,633)	(33,093)	(458,210)
2018	(46,757)	(30,886)	(201,812)	(155,601)	18,460	(416,596)

Other changes in net position changed in 2020 as follows:

Increased (decreased) in millions of dollars

Davis	$34.5	64.9%	Change mainly due to change in pension allocation and health system support.
Irvine	(44.0)	(112.2)	Change due to an increase in health system support with the implementation of the clinical integration program.
Los Angeles	(58.9)	(29.4)	Payments for health system support, representing transfers in support of the overall strategic plan.
San Diego	(194.3)	(146.5)	Decrease primarily due to increase in health system support.
San Francisco	(32.9)	(99.4)	Change primarily due to a decrease in donated assets.

Other changes in net position changed in 2019 as follows:

Increased (decreased) in millions of dollars

Davis	($6.4)	(13.6%)	The primary driver behind the change was due to an increase of pension allocations.
Irvine	(8.4)	(27.1)	Change mainly due to increase in health system support.
Los Angeles	1.7	0.9	Payments for health system support, representing transfers in support of the overall strategic plan.
San Diego	23.0	14.8	Change primarily due to completion of the Koman Family Outpatient Pavilion, resulting in reduced funding transfers to the University by the Medical Center.
San Francisco	(51.6)	(279.3)	Change primarily due to an increase of health system support and an increase of pension allocations.

STATEMENTS OF NET POSITION

The following tables are abbreviated statements of net position at June 30:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2020						
Current assets:						
Cash and cash equivalents	$1,346,277	$663,359	$1,596,270	$500,047	$1,358,221	$5,464,174
Net patient accounts receivable	281,620	156,655	354,765	329,319	661,536	1,783,895
Short-term investments and other current assets	183,419	104,971	429,881	129,795	338,989	1,187,055
Current assets	**1,811,316**	**924,985**	**2,380,916**	**959,161**	**2,358,746**	**8,435,124**
Restricted assets	380,734	238,561	465,462	330,936	523,592	1,939,285
Capital assets, net	1,174,837	745,376	1,623,613	1,558,228	2,491,244	7,593,298
Investments and other noncurrent assets	106,563		133,719	27,279	238,922	506,483
Noncurrent assets	**1,662,134**	**983,937**	**2,222,794**	**1,916,443**	**3,253,758**	**10,039,066**
Total assets	**3,473,450**	**1,908,922**	**4,603,710**	**2,875,604**	**5,612,504**	**18,474,190**
Deferred outflows of resources	**959,487**	**449,931**	**1,102,277**	**941,717**	**1,897,311**	**5,350,723**
Liabilities:						
Current liabilities	779,784	416,901	789,137	520,446	1,059,403	3,565,671
Long-term debt	681,331	557,852	1,312,029	1,087,904	1,299,005	4,938,121
Net pension liability	1,368,556	647,772	1,451,711	1,048,715	2,115,053	6,631,807
Net retiree health benefits liability	1,534,830	713,600	1,623,943	1,193,191	2,463,690	7,529,254
Other liabilities	376,068	160,584	439,001	372,152	529,460	1,877,265
Total liabilities	**4,740,569**	**2,496,709**	**5,615,821**	**4,222,408**	**7,466,611**	**24,542,118**
Deferred inflows of resources	**438,464**	**237,222**	**576,245**	**327,462**	**698,973**	**2,278,366**
Net position:						
Net investment in capital assets	824,936	415,048	736,002	779,658	1,572,954	4,328,598
Restricted	8,112	5,247	24,384	346	121,533	159,622
Unrestricted	(1,579,144)	(795,373)	(1,246,465)	(1,512,553)	(2,350,256)	(7,483,791)
Total net position	**($746,096)**	**($375,078)**	**($486,079)**	**($732,549)**	**($655,769)**	**($2,995,571)**

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019						
Current assets:						
Cash and cash equivalents	$819,285	$455,229	$1,114,849	$341,255	$946,580	$3,677,198
Net patient accounts receivable	269,446	158,234	398,976	367,003	682,558	1,876,217
Short-term investments and other current assets	267,682	117,663	387,337	86,720	267,474	1,126,876
Total current assets	**1,356,413**	**731,126**	**1,901,162**	**794,978**	**1,896,612**	**6,680,291**
Restricted assets	13,718	9,348	10,973	2,843	100,160	137,042
Capital assets, net	1,115,955	766,783	1,671,098	1,609,016	2,427,895	7,590,747
Investments and other noncurrent assets	105,747		129,448	24,348	233,893	493,436
Noncurrent assets	**1,235,420**	**776,131**	**1,811,519**	**1,636,207**	**2,761,948**	**8,221,225**
Total assets	**2,591,833**	**1,507,257**	**3,712,681**	**2,431,185**	**4,658,560**	**14,901,516**
Deferred outflows of resources	**746,421**	**312,113**	**858,937**	**701,535**	**1,352,434**	**3,971,440**
Liabilities:						
Current liabilities	457,064	237,264	503,481	295,493	708,871	2,202,173
Long-term debt	320,819	329,673	876,922	771,188	917,096	3,215,698
Net pension liability	1,151,862	536,927	1,245,807	844,319	1,655,695	5,434,610
Net retiree health benefits liability	1,268,189	572,706	1,358,829	932,379	1,945,198	6,077,301
Other noncurrent liabilities	354,680	151,613	391,900	345,605	469,612	1,713,410
Total liabilities	**3,552,614**	**1,828,183**	**4,376,939**	**3,188,984**	**5,696,472**	**18,643,192**
Deferred inflows of resources	**408,817**	**226,433**	**547,364**	**284,341**	**617,396**	**2,084,351**
Net position:						
Net investment in capital assets	766,483	431,447	762,330	813,976	1,505,229	4,279,465
Restricted	13,283	9,348	24,776		97,383	144,790
Unrestricted	(1,402,943)	(676,041)	(1,139,791)	(1,154,581)	(1,905,486)	(6,278,842)
Total net position	**($623,177)**	**($235,246)**	**($352,685)**	**($340,605)**	**($302,874)**	**($1,854,587)**

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2018						
Current assets:						
Cash and cash equivalents	$741,159	$331,844	$943,930	$293,548	$823,411	$3,133,892
Net patient accounts receivable	248,467	155,384	330,172	321,636	594,448	1,650,107
Short-term investments and other current assets	149,804	101,758	392,120	139,660	230,295	1,013,637
Total current assets	**1,139,430**	**588,986**	**1,666,222**	**754,844**	**1,648,154**	**5,797,636**
Restricted assets	45,783	41,547	10,928	4,138	78,109	180,505
Capital assets, net	1,080,332	759,413	1,717,689	1,661,760	2,375,485	7,594,679
Investments and other noncurrent assets	105,448		94,761	20,214	215,288	435,711
Noncurrent assets	**1,231,563**	**800,960**	**1,823,378**	**1,686,112**	**2,668,882**	**8,210,895**
Total assets	**2,370,993**	**1,389,946**	**3,489,600**	**2,440,956**	**4,317,036**	**14,008,531**
Deferred outflows of resources	**330,997**	**128,954**	**454,015**	**401,567**	**775,863**	**2,091,396**
Liabilities:						
Current liabilities	408,938	230,244	471,304	246,776	655,904	2,013,166
Long-term debt	342,030	335,335	908,811	792,429	922,666	3,301,271
Net pension liability	643,552	292,837	706,286	460,577	910,558	3,013,810
Net retiree health benefits liability	1,215,567	548,548	1,404,685	867,819	1,789,855	5,826,474
Other noncurrent liabilities	266,959	138,408	343,508	290,933	404,824	1,444,632
Total liabilities	**2,877,046**	**1,545,372**	**3,834,594**	**2,658,534**	**4,683,807**	**15,599,353**
Deferred inflows of resources	**388,442**	**234,578**	**447,245**	**274,761**	**583,859**	**1,928,885**
Net position:						
Net investment in capital assets	698,049	421,341	780,373	847,607	1,447,759	4,195,129
Restricted	45,783	41,547	10,884		77,245	175,459
Unrestricted	(1,307,330)	(723,938)	(1,129,481)	(938,379)	(1,699,771)	(5,798,899)
Total net position	**($563,498)**	**($261,050)**	**($338,224)**	**($90,772)**	**($174,767)**	**($1,428,311)**

Cash and Cash Equivalents

Cash and cash equivalents changed in 2020 as follows:

Increased in millions of dollars			
Davis	$527.0	64.3%	Increase is due to operational performance of the hospital and short-term advances from Medicare.
Irvine	208.1	45.7	Increase due to cash provided by operations and short-term advances from Medicare.
Los Angeles	481.4	43.2	Increase primarily due to direct government grants from the CARES Act, including Medicare advance payments, provider relief funding and cash from third-party settlements.
San Diego	158.8	46.5	Increase primarily due to direct government grants from the CARES Act, including Medicare advance payments and provider relief funding.
San Francisco	411.6	43.5	Increase due to short-term advances from Medicare, government direct grants related to COVID-19 and additional Medi-Cal supplemental funding.

Cash and cash equivalents changed in 2019 as follows:

Increased in millions of dollars			
Davis	$78.1	10.5%	Increase in cash due to the operational performance of the hospital.
Irvine	123.4	37.2	Increase due to strong operational performance and higher patient accounts receivable cash collections.
Los Angeles	170.9	18.1	Increase in cash due to strong operational performance, higher patient accounts receivable cash collections and cash from third-party settlements.
San Diego	47.7	16.3	Increase primarily due to cash received from third party settlements and reduced capital expenditures.
San Francisco	123.2	15.0	Increase due to hospital operations excluding non-cash pension costs.

Patient Accounts Receivable

Patient accounts receivable, net of estimated uncollectible accounts, changed in 2020 as follows:

Increased (decreased) in millions of dollars			
Davis	$12.2	4.5%	Increase due to higher case mix index and longer length of stay.
Irvine	(1.6)	(1.0)	Decrease due to cash collections slightly outpacing revenue growth.
Los Angeles	(44.2)	(11.1)	Decrease due to lower patient volume in the last quarter of the year, accelerated cash collections and timing of payments from payors.
San Diego	(37.7)	(10.3)	Decrease primarily due to impacts from COVID-19.
San Francisco	(21.0)	(3.1)	Decrease primarily due to lower patient volumes in the last quarter of the fiscal year.

Patient accounts receivable, net of estimated uncollectible accounts, changed in 2019 as follows:

Increased (decreased) in millions of dollars			
Davis	$21.0	8.4%	Increase primarily due to higher patient volumes.
Irvine	2.9	1.8	Increase primarily due to higher patient volumes from growth in outpatient revenues, offset by higher collections.
Los Angeles	68.8	20.8	Increase due to net patient revenue growth, timing of payments from payors and higher outpatient volume.
San Diego	45.4	14.1	Increase primarily due to higher patient volumes.
San Francisco	88.1	14.8	Increase primarily due to higher patient volumes.

Restricted Assets

In March 2020, to take advantage of low interest rates, the Medical Centers issued long-dated taxable bonds to finance future capital projects. Unspent proceeds from this issuance are invested in STIP as of June 30, 2020 as follows:

(in thousands of dollars)	
Davis	$372,613
Irvine	233,314
Los Angeles	454,903
San Diego	330,590
San Francisco	400,480
Total	**$1,791,900**

Capital Assets

Net capital assets changed in 2020 as follows:

Increased (decreased) in millions of dollars			
Davis	$58.9	5.3%	Ongoing construction resulted in higher capital expenditures.
Irvine	(21.4)	(2.8)	Annual depreciation exceeded capital expenditures.
Los Angeles	(47.5)	(2.8)	Annual depreciation exceeded capital projects for the year.
San Diego	(50.8)	(3.2)	Annual depreciation exceeded capital expenditures for the year.
San Francisco	63.3	2.6	Increase due to Bakar Precision Cancer Medical Building and Moffitt-Long Radiology Renovation Project.

Net capital assets changed in 2019 as follows:

Increased (decreased) in millions of dollars			
Davis	$35.6	3.3%	Ongoing construction resulted in higher capital expenditures.
Irvine	7.4	1.0	Completion of the chiller plant and an upgrade of our electronic medical record system, Epic.
Los Angeles	(46.6)	(2.7)	Annual depreciation exceeded capital projects for the year.
San Diego	(52.7)	(3.2)	Annual depreciation exceeded capital expenditures for the year.
San Francisco	52.4	2.2	Increase due to the construction of the Bakar Precision Cancer Medical Building.

Current Liabilities

To minimize the impact of disruptions in claims processing as a result of COVID-19, the Centers for Medicare & Medicaid Services (CMS) modified an advance payment program for health care providers as part of the CARES Act. Current liabilities increased as a result of the Medical Centers receiving the following advance payments from this program:

(in thousands of dollars)	
Davis	$204,304
Irvine	110,411
Los Angeles	276,489
San Diego	183,000
San Francisco	146,050
Total	**$920,254**

Long-term Debt

To take advantage of low interest rates, the Medical Centers issued $1.8 billion long-dated taxable bonds to finance the acquisition, construction, improvement and renovation of certain facilities, including retrofitting or replacing certain facilities to be compliant with state seismic requirements. The long-dated taxable bonds include $650 million maturing in 2050, $850 million maturing in 2060 and $300 million maturing in 2120. Long-term debt, including the current portion, increased in 2020 as follows:

Increased in millions of dollars			
Davis	$362.8	106.1%	Increase due to issuance of new bonds in March 2020.
Irvine	228.3	68.1	Increase due to issuance of new bonds in March 2020.
Los Angeles	433.8	47.7	Increase due to issuance of new bonds in March 2020.
San Diego	311.6	39.1	Increase due to issuance of new bonds in March 2020.
San Francisco	396.1	42.9	Increase due to issuance of new bonds in March 2020.

Long-term debt, including the current portion, changed in 2019 as follows:

Increased (decreased) in millions of dollars			
Davis	($21.2)	(5.8%)	Debt service payments were made reducing long term debt.
Irvine	(2.7)	(0.8)	Debt service payments were made reducing long-term debt.
Los Angeles	(28.5)	(3.0)	Debt service payments were made reducing long-term debt.
San Diego	(20.4)	(2.5)	Debt service payments were made reducing long-term debt.
San Francisco	(5.1)	(0.5)	Debt service payments were made reducing long-term debt.

Net Pension Liability

The University has a financial responsibility for pension benefits associated with its defined benefit plans. The net pension liability related to UCRP is allocated to the Medical Centers based on their proportionate share of covered compensation for the fiscal year.

(in thousands of dollars)

	2020		2019		2018	
	PROPORTIONATE SHARE	NET PENSION LIABILITY	PROPORTIONATE SHARE	NET PENSION LIABILITY	PROPORTIONATE SHARE	NET PENSION LIABILITY
Davis	6.7%	$1,368,556	6.7%	$1,151,862	6.8%	$643,552
Irvine	3.1	632,665	3.0	519,523	3.0	279,015
Los Angeles	7.1	1,451,711	7.2	1,245,807	7.5	706,286
San Diego	5.1	1,048,715	4.9	844,319	4.9	460,577
San Francisco	9.9	2,022,619	9.6	1,643,970	9.4	886,409
Total	**31.9%**	**$6,524,266**	**31.4%**	**$5,405,481**	**31.6%**	**$2,975,839**

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

The Irvine Medical Center's proportionate share of the net pension liability for the Orange County Employees Retirement System was $15.1 million, $17.4 million and $13.8 million as of June 30, 2020, 2019 and 2018, respectively.

CHRCO is the sponsor of a single employer defined benefit plan. The net pension liability for CHRCO was $92.4 million, $11.7 million and $24.1 million as of June 30, 2020, 2019 and 2018, respectively, and the liability is reported by San Francisco.

Net Retiree Health Benefits Liability

The University has a financial responsibility for retiree health benefits. The net retiree health benefits liability is allocated to Medical Centers based on their proportionate share of covered compensation for the fiscal year.

(in thousands of dollars)

	2020		2019		2018	
	PROPORTIONATE SHARE	NET RETIREE HEALTH BENEFITS LIABILITY	PROPORTIONATE SHARE	NET RETIREE HEALTH BENEFITS LIABILITY	PROPORTIONATE SHARE	NET RETIREE HEALTH BENEFITS LIABILITY
Davis	6.6%	$1,534,830	6.6%	$1,268,189	6.6%	$1,215,567
Irvine	3.1	713,600	3.0	572,706	3.0	548,548
Los Angeles	7.0	1,623,943	7.1	1,358,829	7.7	1,404,685
San Diego	5.2	1,193,191	4.8	932,379	4.8	867,819
San Francisco	10.6	2,463,690	10.1	1,945,198	9.8	1,789,855
Total	**32.5%**	**$7,529,254**	**31.6%**	**$6,077,301**	**31.9%**	**$5,826,474**

The net retiree health benefit liability increased in 2020 due to a decrease in the discount rate. The net retiree health benefit liability was lower in 2019 due to a decrease in the discount rate offset by reducing the inflation assumption and strong management of health care costs. The discount rate used to estimate the net retiree health benefits liability as of June 30, 2020, 2019 and 2018 was 2.21 percent, 3.50 percent and 3.87 percent, respectively. The discount rate was based on the Bond Buyer 20-Bond General Obligation index since UCRHBT plan assets are not sufficient to make benefit payments.

Net Position

Net position represents the residual interest in the Medical Centers' assets and deferred outflows after all liabilities and deferred inflows are deducted. Net position is reported in the following categories: net investment in capital assets; restricted, nonexpendable; restricted, expendable; and unrestricted.

Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing its use must be classified as unrestricted for reporting purposes. Unrestricted net position is negative primarily due to obligations for pension and retiree health benefits exceeding the Medical Centers' reserves.

LIQUIDITY AND CAPITAL RESOURCES

Days Cash on Hand

Days cash on hand measures the average number of days' expenses the Medical Centers maintain in cash and unrestricted investments. The goal, set by the University of California Office of the President, is a minimum of 60 days cash on hand. For 2020, the days cash on hand includes Medicare short-term advances. Days cash on hand is as follows:

	2020	2019	2018
Davis	190	149	137
Irvine	180	148	126
Los Angeles	238	195	191
San Diego	77	61	62
San Francisco	106	88	92

Days of Revenue in Accounts Receivable

The days of revenue in accounts receivable measures the average number of days it takes to collect patient accounts receivable. Generally, days of revenue in accounts receivable increases when Medical Centers have implemented new billing systems and decreases as the Medical Centers have streamlined the billing and collection processes. Days of revenue in accounts receivable is as follows:

	2020	2019	2018
Davis	43	43	42
Irvine	46	48	50
Los Angeles	47	54	50
San Diego	55	68	64
San Francisco	51	55	52

Debt Service Coverage

Debt service coverage ratio measures the amount of funds available to cover the principal and interest on long-term debt. Debt service coverage decreases as new debt is issued and increases or decreases based on operating results. Debt service coverage ratios are as follows:

	2020	2019	2018
Davis	0.2	2.8	8.8
Irvine	2.0	9.1	12.7
Los Angeles	4.5	6.1	5.0
San Diego	1.3	0.4	3.8
San Francisco	(0.4)	2.6	7.4

LOOKING FORWARD

Payments from Federal and State Health Care Programs

Entities doing business with governmental payors, including Medicare and Medicaid (Medi-Cal in California), are subject to risks unique to the government-contracting environment that are difficult to anticipate and quantify. Revenues are subject to adjustment as a result of examination by government agencies as well as auditors, contractors and intermediaries retained by the federal, state or local governments (collectively "Government Agents"). Resolution of such audits or reviews often extends (and in some cases does not even commence until) several years beyond the year in which services were rendered and/or fees were received.

Moreover, Government Agents frequently interpret government regulations and other requirements differently. For example, Government Agents might disagree on a patient's principal medical diagnosis, the appropriate code for a clinical procedure or many other matters. Such disagreements might have a significant effect on the ultimate payout due from the government to fully recoup sums already paid. Governmental agencies may make changes in program interpretations, requirements or "conditions of participation," some of which may have implications for amounts previously estimated. In addition to varying interpretation and evolving codification of the regulations, standards of supporting documentation and required data are subject to wide variation.

In accordance with generally accepted accounting principles, to account for the uncertainty around Medicare and Medicaid revenues, each Medical Center estimates the amount of revenue that will ultimately be received under the Medicare and Medi-Cal programs. Amounts ultimately received or paid may vary significantly from these estimates.

Hospital Facilities Seismic Safety Act

State of California Senate Bill 1953 (SB 1953), the Hospital Facilities Seismic Safety Act, requires hospitals to meet certain standards designed to yield predictable seismic performance, whether at the essential life safety level or post-earthquake continued operations level. Buildings used for acute care patient services must either be retrofitted by 2030 or the acute care services must be relocated and the building must be closed, repurposed or demolished. Three of the Medical Centers, Davis, San Diego and San Francisco, have beds in service in facilities that do not meet the requirements of SB 1953, and these facilities will either need to be retrofitted or replaced by 2030. The Medical Centers are continuing to address these seismic building requirements; however, the cost to construct replacement facilities or retrofit existing facilities to comply with the statutory requirements by 2030 cannot be estimated at this time.

COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally, in the United States and in the state, including cities and counties throughout the state. There have been and may continue to be material financial impacts to the Medical Centers due to COVID-19 that will affect financial results for 2021 and potentially beyond.

Cautionary Note Regarding Forward-Looking Statements

Certain information provided by the Medical Centers, 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 Medical Centers expect or anticipate 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 Medical Centers do not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

Report of Independent Auditors

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

We have audited the accompanying individual financial statements of the University of California, Davis Medical Center, the University of California, Irvine Medical Center, the University of California, Los Angeles Medical Center, the University of California, San Diego Medical Center, and the University of California, San Francisco Medical Center (collectively referred to as the "University of California Medical Centers"), each of which is a department of the University of California (the "University"), which comprise the individual statements of net position as of June 30, 2020 and 2019, and the related individual statements of revenues, expenses and changes in net position, and of cash flows for the years then ended, which comprise the basic financial statements of each of the University of California Medical Centers.

Management's Responsibility for the Individual Financial Statements

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

Auditors' Responsibility

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

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

Opinion

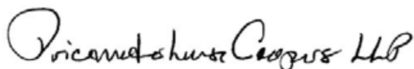
In our opinion, the individual financial statements referred to above present fairly, in all material respects, the individual financial positions of the University of California, Davis Medical Center, the University of California, Irvine Medical Center, the University of California, Los Angeles Medical Center, the University of California, San Diego Medical Center, and the University of California, San Francisco Medical Center as of June 30, 2020 and 2019, and the changes in their individual financial position and their individual cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the individual financial statements of the University of California Medical Centers are intended to present the financial position, and the changes in financial position and the cash flows of only that portion of the University of California that is attributable to the transactions of the University of California Medical Centers. They do not purport to, and do not, present fairly the financial position of the University of California as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

The accompanying management's discussion and analysis on pages 26 through 50, the individual schedule of the University of California Medical Centers' proportionate share of UCRP's net pension liability, the schedule of changes in the net pension liability for the CHRCO Pension Plan, the schedule of net pension liability for the CHRCO Pension Plan, the schedule of employer contributions for the CHRCO Pension Plan, the schedule of Irvine's proportionate share of OCERS's net pension liability, and the schedule of the Medical Centers' proportionate share of UCRHBT's net retiree health benefits liability on pages 112 through 115 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements of the corresponding University of California Medical Center. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements of the corresponding University of California Medical Center in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



PricewaterhouseCoopers LLP
San Francisco, California
October 9, 2020

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF NET POSITION

At June 30, 2020 (in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL *(memorandum only)*
ASSETS						
Cash and cash equivalents	$1,346,277	$663,359	$1,596,270	$500,047	$1,358,221	$5,464,174
Short-term investments			241,947			241,947
Net patient accounts receivable	281,620	156,655	354,765	329,319	661,536	1,783,895
Other receivables	27,391	10,802	40,650	20,295	110,714	209,852
Third-party payor settlements, net	57,382	42,583	47,115	52,254	23,098	222,432
Inventory	41,494	26,633	48,692	36,467	97,037	250,323
Prepaid expenses and other assets	57,152	24,953	51,477	20,779	108,140	262,501
Current assets	**1,811,316**	**924,985**	**2,380,916**	**959,161**	**2,358,746**	**8,435,124**
Restricted assets:						
Deposits held for hospital construction	380,734	238,561	454,963	330,936	400,480	1,805,674
Donor funds			10,499		123,112	133,611
Capital assets, net	1,174,837	745,376	1,623,613	1,558,228	2,491,244	7,593,298
Investments in joint ventures	24,581		6,571	25,949	26,651	83,752
Investments			72,003		195,226	267,229
Other assets	81,982		55,145	1,330	17,045	155,502
Noncurrent assets	**1,662,134**	**983,937**	**2,222,794**	**1,916,443**	**3,253,758**	**10,039,066**
Total assets	**3,473,450**	**1,908,922**	**4,603,710**	**2,875,604**	**5,612,504**	**18,474,190**
DEFERRED OUTFLOWS OF RESOURCES	**959,487**	**449,931**	**1,102,277**	**941,717**	**1,897,311**	**5,350,723**
LIABILITIES						
Accounts payable and accrued expenses	87,709	52,927	245,276	130,856	265,007	781,775
Accrued salaries and benefits	183,835	92,534	224,761	117,216	312,606	930,952
Third-party payor settlements, net	199,417	145,290	1,853	4,000	206,281	556,841
Current portion of long-term debt and financing obligations	23,450	5,790	30,543	21,599	19,755	101,137
Short-term advances	204,304	110,411	276,489	183,000	146,050	920,254
Other current liabilities	81,069	9,949	10,215	63,775	109,704	274,712
Current liabilities	**779,784**	**416,901**	**789,137**	**520,446**	**1,059,403**	**3,565,671**
Long-term debt and financing obligations, net of current portion	681,331	557,852	1,312,029	1,087,904	1,299,005	4,938,121
Net pension liability	1,368,556	647,772	1,451,711	1,048,715	2,115,053	6,631,807
Net retiree health benefits liability	1,534,830	713,600	1,623,943	1,193,191	2,463,690	7,529,254
Notes payable to campus		10,316		95,873		106,189
Pension payable to University	324,773	150,268	344,162	247,215	479,888	1,546,306
Interest rate swap agreements			94,839		10,708	105,547
Self-insurance					17,350	17,350
Other noncurrent liabilities	51,295			29,064	21,514	101,873
Noncurrent liabilities	**3,960,785**	**2,079,808**	**4,826,684**	**3,701,962**	**6,407,208**	**20,976,447**
Total liabilities	**4,740,569**	**2,496,709**	**5,615,821**	**4,222,408**	**7,466,611**	**24,542,118**
DEFERRED INFLOWS OF RESOURCES	**438,464**	**237,222**	**576,245**	**327,462**	**698,973**	**2,278,366**
NET POSITION						
Net investment in capital assets	824,936	415,048	736,002	779,658	1,572,954	4,328,598
Restricted: Nonexpendable endowments and gifts			567		30,576	31,143
Restricted: Nonexpendable for minority interest			13,885			13,885
Restricted: Expendable capital projects and other	8,112	5,247	9,932	346	90,957	114,594
Unrestricted	(1,579,144)	(795,373)	(1,246,465)	(1,512,553)	(2,350,256)	(7,483,791)
Total net position	**($746,096)**	**($375,078)**	**($486,079)**	**($732,549)**	**($655,769)**	**($2,995,571)**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF NET POSITION

At June 30, 2019 (in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL (memorandum only)
ASSETS						
Cash and cash equivalents	$819,285	$455,229	$1,114,849	$341,255	$946,580	$3,677,198
Short-term investments	103,536		241,738			345,274
Net patient accounts receivable	269,446	158,234	398,976	367,003	682,558	1,876,217
Other receivables	21,771	3,280	30,300	18,696	88,392	162,439
Third-party payor settlements, net	52,996	70,128	18,670	14,255	10,432	166,481
Inventory	37,808	19,958	41,514	33,561	56,921	189,762
Prepaid expenses and other assets	51,571	24,297	55,115	20,208	111,729	262,920
Current assets	**1,356,413**	**731,126**	**1,901,162**	**794,978**	**1,896,612**	**6,680,291**
Restricted assets:						
Deposits held for hospital construction	13,718	9,348	45	2,843		25,954
Donor funds			10,928		100,160	111,088
Capital assets, net	1,115,955	766,783	1,671,098	1,609,016	2,427,895	7,590,747
Investments in joint ventures	20,771		3,901	23,018	22,807	70,497
Investments			68,557		195,594	264,151
Other assets	84,976		56,990	1,330	15,492	158,788
Noncurrent assets	**1,235,420**	**776,131**	**1,811,519**	**1,636,207**	**2,761,948**	**8,221,225**
Total assets	**2,591,833**	**1,507,257**	**3,712,681**	**2,431,185**	**4,658,560**	**14,901,516**
DEFERRED OUTFLOWS OF RESOURCES	**746,421**	**312,113**	**858,937**	**701,535**	**1,352,434**	**3,971,440**
LIABILITIES						
Accounts payable and accrued expenses	75,234	51,477	211,093	134,960	257,300	730,064
Accrued salaries and benefits	142,157	67,812	177,144	89,762	155,922	632,797
Third-party payor settlements, net	170,565	98,848	74,859	33,172	177,578	555,022
Current portion of long-term debt and financing obligations	21,211	5,663	31,889	26,695	5,570	91,028
Other current liabilities	47,897	13,464	8,496	10,904	112,501	193,262
Current liabilities	**457,064**	**237,264**	**503,481**	**295,493**	**708,871**	**2,202,173**
Long-term debt and financing obligations, net of current portion	320,819	329,673	876,922	771,188	917,096	3,215,698
Net pension liability	1,151,862	536,927	1,245,807	844,319	1,655,695	5,434,610
Net retiree health benefits liability	1,268,189	572,706	1,358,829	932,379	1,945,198	6,077,301
Notes payable to campus		15,474		93,558		109,032
Pension payable to University	304,044	136,139	326,734	222,361	431,107	1,420,385
Interest rate swap agreements			65,166		8,320	73,486
Self-insurance					19,054	19,054
Other noncurrent liabilities	50,636			29,686	11,131	91,453
Noncurrent liabilities	**3,095,550**	**1,590,919**	**3,873,458**	**2,893,491**	**4,987,601**	**16,441,019**
Total liabilities	**3,552,614**	**1,828,183**	**4,376,939**	**3,188,984**	**5,696,472**	**18,643,192**
DEFERRED INFLOWS OF RESOURCES	**408,817**	**226,433**	**547,364**	**284,341**	**617,396**	**2,084,351**
NET POSITION						
Net investment in capital assets	766,483	431,447	762,330	813,976	1,505,229	4,279,465
Restricted: Nonexpendable endowments and gifts			598		29,150	29,748
Restricted: Nonexpendable for minority interest			13,848			13,848
Restricted: Expendable capital projects and other	13,283	9,348	10,330		68,233	101,194
Unrestricted	(1,402,943)	(676,041)	(1,139,791)	(1,154,581)	(1,905,486)	(6,278,842)
Total net position	**($623,177)**	**($235,246)**	**($352,685)**	**($340,605)**	**($302,874)**	**($1,854,587)**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2020 (in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL *(memorandum only)*
Net patient service revenue	$2,412,137	$1,237,590	$2,788,841	$2,208,234	$4,747,624	$13,394,426
Other operating revenue:						
Clinical teaching support		7,882	13,467			21,349
Grants and contracts					35,805	35,805
Other	100,228	107,443	205,934	135,633	288,913	838,151
Total other operating revenue	**100,228**	**115,325**	**219,401**	**135,633**	**324,718**	**895,305**
Total operating revenue	**2,512,365**	**1,352,915**	**3,008,242**	**2,343,867**	**5,072,342**	**14,289,731**
Operating expenses:						
Salaries and wages	1,019,512	513,528	1,149,617	823,038	1,899,828	5,405,523
Pension benefits	364,359	161,283	393,679	297,301	634,756	1,851,378
Retiree health benefits	114,897	50,163	111,592	111,080	235,885	623,617
Other employee benefits	237,662	122,655	223,992	238,642	360,464	1,183,415
Professional services	163,467	18,600	37,764	65,834	900,736	1,186,401
Medical supplies	399,436	271,762	447,564	548,123	785,910	2,452,795
Other supplies and purchased services	193,211	170,383	410,364	191,428	430,603	1,395,989
Depreciation and amortization	94,562	86,344	148,411	103,264	203,299	635,880
Insurance and other	94,537	43,115	50,231	88,711	108,703	385,297
Total operating expenses	**2,681,643**	**1,437,833**	**2,973,214**	**2,467,421**	**5,560,184**	**15,120,295**
Income (loss) from operations	**(169,278)**	**(84,918)**	**35,028**	**(123,554)**	**(487,842)**	**(830,564)**
Nonoperating revenues (expenses):						
Government direct grants	71,496	34,627	98,703	89,206	144,542	438,574
Hospital Fee Program grants	5,404		4,271	6,633	6,530	22,838
Investment income	22,382	9,484	29,118	7,665	25,202	93,851
Build America Bonds federal interest subsidies		3,365	3,102	2,394	15,225	24,086
Private gifts, net					64,602	64,602
Net appreciation (depreciation) in fair value of investments	(6,552)		(1,575)		10,718	2,591
Interest expense	(15,784)	(18,786)	(39,113)	(45,293)	(59,001)	(177,977)
Loss on disposal of capital assets	(56)	(202)	(167)	(276)	(4,676)	(5,377)
Decrease upon hedge termination			(6,467)			(6,467)
Other	(11,892)	(112)	2,681	(1,737)	(2,197)	(13,257)
Net nonoperating revenues	**64,998**	**28,376**	**90,553**	**58,592**	**200,945**	**443,464**
Income (loss) before other changes in net position	**(104,280)**	**(56,542)**	**125,581**	**(64,962)**	**(286,897)**	**(387,100)**
Other changes in net position:						
Donated assets	40		696	1,273	54,364	56,373
Contributions for building programs	794	941	4,545	11,232		17,512
Transfers from (to) University, net	(24,488)	40,876		(10,126)		6,262
Changes in allocation for pension payable to University	12,839	1,699	18,180	869	830	34,417
Health system support	(7,824)	(126,806)	(282,396)	(330,230)	(121,192)	(868,448)
Other changes in net position	**(18,639)**	**(83,290)**	**(258,975)**	**(326,982)**	**(65,998)**	**(753,884)**
Decrease in net position	**(122,919)**	**(139,832)**	**(133,394)**	**(391,944)**	**(352,895)**	**(1,140,984)**
Net position:						
Beginning of year	(623,177)	(235,246)	(352,685)	(340,605)	(302,874)	(1,854,587)
End of year	**($746,096)**	**($375,078)**	**($486,079)**	**($732,549)**	**($655,769)**	**($2,995,571)**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2019 (in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL (memorandum only)
Net patient service revenue	$2,276,798	$1,198,881	$2,721,912	$1,955,993	$4,530,333	$12,683,917
Other operating revenue:						
Clinical teaching support		7,882	13,467			21,349
Grants and contracts					43,134	43,134
Other	52,492	72,171	123,552	111,455	245,747	605,417
Total other operating revenue	**52,492**	**80,053**	**137,019**	**111,455**	**288,881**	**669,900**
Total operating revenue	**2,329,290**	**1,278,934**	**2,858,931**	**2,067,448**	**4,819,214**	**13,353,817**
Operating expenses:						
Salaries and wages	937,657	452,767	1,052,871	741,263	1,718,914	4,903,472
Pension benefits	300,946	130,154	315,589	238,764	490,465	1,475,918
Retiree health benefits	85,796	33,989	84,132	80,030	171,511	455,458
Other employee benefits	192,312	71,179	214,621	186,947	311,284	976,343
Professional services	139,095	17,919	31,298	71,961	826,532	1,086,805
Medical supplies	353,221	236,457	412,930	490,104	690,118	2,182,830
Other supplies and purchased services	167,610	151,855	377,532	160,971	409,569	1,267,537
Depreciation and amortization	84,354	84,675	152,840	102,640	212,222	636,731
Insurance and other	91,207	25,357	49,088	84,290	127,785	377,727
Total operating expenses	**2,352,198**	**1,204,352**	**2,690,901**	**2,156,970**	**4,958,400**	**13,362,821**
Income (loss) from operations	**(22,908)**	**74,582**	**168,030**	**(89,522)**	**(139,186)**	**(9,004)**
Nonoperating revenues (expenses):						
Hospital Fee Program grants	8,152	7,409	5,564	3,856	8,628	33,609
Investment income	23,514	9,059	30,459	7,513	26,273	96,818
Build America Bonds federal interest subsidies		3,371	3,092	2,375	15,172	24,010
Private gifts, net					31,735	31,735
Net appreciation in fair value of investments	3,536		10,848		9,414	23,798
Interest expense	(7,591)	(15,511)	(33,562)	(39,150)	(35,763)	(131,577)
Gain (loss) on disposal of capital assets	950	(407)	(1,360)	(259)	(409)	(1,485)
Other	(12,201)	(13,440)	2,562	(2,013)	(10,878)	(35,970)
Net nonoperating revenues (expenses)	**16,360**	**(9,519)**	**17,603**	**(27,678)**	**44,172**	**40,938**
Income (loss) before other changes in net position	**(6,548)**	**65,063**	**185,633**	**(117,200)**	**(95,014)**	**31,934**
Other changes in net position:						
Donated assets	23		181	10,950	127,498	138,652
Contributions (distributions) for building programs	2,141	8,937	239	(1,408)		9,909
Contributions for joint venture			13,848			13,848
Transfers from (to) University, net	(22,611)	39,622		(9,005)		8,006
Changes in allocation for pension payable to University	(3,651)	(2,767)	3,866	(5,486)	(14,359)	(22,397)
Health system support	(29,033)	(85,051)	(218,228)	(127,684)	(146,232)	(606,228)
Other changes in net position	**(53,131)**	**(39,259)**	**(200,094)**	**(132,633)**	**(33,093)**	**(458,210)**
Increase (decrease) in net position	**(59,679)**	**25,804**	**(14,461)**	**(249,833)**	**(128,107)**	**(426,276)**
Net position:						
Beginning of year	(563,498)	(261,050)	(338,224)	(90,772)	(174,767)	(1,428,311)
End of year	**($623,177)**	**($235,246)**	**($352,685)**	**($340,605)**	**($302,874)**	**($1,854,587)**

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

For the year ended June 30, 2020 (in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL (memorandum only)
Cash flows from operating activities:						
Receipts from patients and third-party payors	$2,640,744	$1,423,567	$3,008,101	$2,178,746	$4,938,596	$14,189,754
Payments to employees	(981,732)	(488,806)	(1,137,373)	(795,584)	(1,806,747)	(5,210,242)
Payments to suppliers	(859,332)	(466,410)	(891,123)	(934,274)	(2,157,744)	(5,308,883)
Payments for benefits	(407,319)	(193,563)	(372,000)	(357,333)	(586,373)	(1,916,588)
Other receipts	102,111	61,173	169,169	402,331	212,818	947,602
Net cash provided by operating activities	**494,472**	**335,961**	**776,774**	**493,886**	**600,550**	**2,701,643**
Cash flows from noncapital financing activities:						
Health system support	(7,824)	(126,806)	(282,396)	(330,230)	(121,192)	(868,448)
Government direct grants	96,883	34,627	98,703	89,206	144,542	463,961
Grants from the Hospital Fee Program	6,725		4,271	6,633	6,530	24,159
Transfers from (to) University, net	(24,488)	40,876		(10,126)		6,262
Gifts received for other than capital purposes					66,932	66,932
Repayment of notes payable to campus		(5,158)				(5,158)
Net cash provided (used) by noncapital financing activities	**71,296**	**(56,461)**	**(179,422)**	**(244,517)**	**96,812**	**(312,292)**
Cash flows from capital and related financing activities:						
Contributions for building programs	794	941		11,232		12,967
Proceeds from financing obligations and other borrowings	373,701	233,970	607,108	338,317	401,664	1,954,760
Build America Bonds federal interest subsidies		3,365	3,102	2,394	15,225	24,086
Proceeds from sale of capital assets	271	293		17		581
Purchases of capital assets	(131,285)	(65,648)	(86,691)	(54,504)	(275,203)	(613,331)
Refinancing or prepayment of outstanding debt			(149,025)			(149,025)
Scheduled principal paid on long-term debt and financing obligations	(20,408)	(4,465)	(25,176)	(22,775)	(4,865)	(77,689)
Interest paid on long-term debt and financing obligations	(17,048)	(19,985)	(44,195)	(43,464)	(57,817)	(182,509)
Gifts and donated funds	40		696	1,273	54,364	56,373
Other nonoperating receipts (payments)		(112)	7,809	291	(8,657)	(669)
Net cash provided by capital and related financing activities	**206,065**	**148,359**	**313,628**	**232,781**	**124,711**	**1,025,544**
Cash flows from investing activities:						
Investment income received	23,597	9,484	29,118	7,665	25,276	95,140
Contributions (distributions) to investments in joint ventures, net			1,222	(2,930)	(14,281)	(15,989)
Purchase of investments	(1,385)		(5,230)			(6,615)
Proceeds from sales and maturities of investments	98,369				2,456	100,825
Change in restricted assets	(367,016)	(229,213)	(454,669)	(328,093)	(423,883)	(1,802,874)
Other nonoperating receipts	1,594					1,594
Net cash used by investing activities	**(244,841)**	**(219,729)**	**(429,559)**	**(323,358)**	**(410,432)**	**(1,627,919)**
Net increase in cash and cash equivalents	**526,992**	**208,130**	**481,421**	**158,792**	**411,641**	**1,786,976**
Cash and cash equivalents - beginning of year	819,285	455,229	1,114,849	341,255	946,580	3,677,198
Cash and cash equivalents - end of year	**$1,346,277**	**$663,359**	**$1,596,270**	**$500,047**	**$1,358,221**	**$5,464,174**

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF CASH FLOWS *continued*

For the year ended June 30, 2020 (in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL (memorandum only)
Reconciliation of income (loss) from operations to net cash provided by operating activities:						
Income (loss) from operations	($169,278)	($84,918)	$35,028	($123,554)	($487,842)	($830,564)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:						
Depreciation and amortization expense	94,562	86,344	148,411	103,264	203,299	635,880
Provision for uncollectible accounts	56,017	72,221	45,329	25,545	47,739	246,851
Changes in operating assets and liabilities:						
Patient accounts receivable	(68,191)	(70,642)	(1,118)	12,139	(26,718)	(154,530)
Other receivables	(7,094)	(7,522)	(10,350)	(1,599)	(13,290)	(39,855)
Inventory	(3,686)	(6,675)	(7,178)	(2,906)	(40,105)	(60,550)
Prepaid expenses and other assets	(5,581)	(656)	608	(571)	3,589	(2,611)
Other assets	1,932				10,543	12,475
Accounts payable and accrued expenses	1,936	1,666	19,781	(3,654)	11,815	31,544
Accrued salaries and benefits	41,678	24,722	47,617	27,454	156,683	298,154
Third-party payor settlements, net	24,466	73,987	(101,451)	(67,171)	16,036	(54,133)
Short-term advances	204,304	110,411	276,489	183,000	146,050	920,254
Other liabilities	4,868	(3,515)	1,719	52,249	(8,379)	46,942
Pension benefits	233,102	104,072	241,471	199,454	392,463	1,170,562
Retiree health benefits	85,437	36,466	80,418	90,236	188,667	481,224
Net cash provided by operating activities	**$494,472**	**$335,961**	**$776,774**	**$493,886**	**$600,550**	**$2,701,643**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION						
Payables for property and equipment	$23,408	$1,666	$19,888	$462	$13,413	$58,837
Amortization of bond premium	3,086	1,199	6,198	3,922	705	15,110
Capital asset transfers from the University	1,307	942				2,249
Change in fair value of interest rate swaps			29,673		(2,389)	27,284
Swap fair value amortization			(1,046)			(1,046)
Beneficial interests in irrevocable split-interest agreements					16,501	16,501
Other borrowings from conversion of interest rate swap to hedging derivative			68,905			68,905

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF CASH FLOWS

For the year ended June 30, 2019 (in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL (memorandum only)
Cash flows from operating activities:						
Receipts from patients and third-party payors	$2,235,509	$1,190,135	$2,684,363	$1,981,047	$4,499,004	$12,590,058
Payments to employees	(913,403)	(445,323)	(1,050,017)	(727,317)	(1,732,783)	(4,868,843)
Payments to suppliers	(735,464)	(407,832)	(815,415)	(816,457)	(1,956,756)	(4,731,924)
Payments for benefits	(339,677)	(142,782)	(365,836)	(301,339)	(548,295)	(1,697,929)
Other receipts	73,196	43,531	87,931	138,721	170,594	513,973
Net cash provided by operating activities	**320,161**	**237,729**	**541,026**	**274,655**	**431,764**	**1,805,335**
Cash flows from noncapital financing activities:						
Health system support	(29,033)	(85,051)	(218,228)	(127,684)	(146,232)	(606,228)
Grants from the Hospital Fee Program	8,921	7,409	5,564	3,856	8,628	34,378
Transfers from (to) University, net	(22,611)	39,622		(9,005)		8,006
Gifts received for other than capital purposes					31,735	31,735
Repayment of notes payable to campus		(5,158)				(5,158)
Net cash used by noncapital financing activities	**(42,723)**	**(43,178)**	**(212,664)**	**(132,833)**	**(105,869)**	**(537,267)**
Cash flows from capital and related financing activities:						
Contributions (distributions) for building programs	2,141	8,937		(1,408)		9,670
Proceeds from financing obligations and other borrowings				6,482		6,482
Build America Bonds federal interest subsidies		3,371	3,092	2,376	15,172	24,011
Proceeds from sale of capital assets	4		110	14,136		14,250
Purchases of capital assets	(128,593)	(93,046)	(111,349)	(65,001)	(261,638)	(659,627)
Scheduled principal paid on long-term debt and financing obligations	(17,900)	(1,531)	(21,779)	(22,855)	(4,355)	(68,420)
Interest paid on long-term debt and financing obligations	(13,017)	(16,716)	(39,589)	(42,442)	(53,670)	(165,434)
Gifts and donated funds	23		181	10,950	127,498	138,652
Repayment of notes payable to campus				(1,442)		(1,442)
Other nonoperating receipts (payments)		(39)	2,800	416	253	3,430
Net cash used by capital and related financing activities	**(157,342)**	**(99,024)**	**(166,534)**	**(98,788)**	**(176,740)**	**(698,428)**
Cash flows from investing activities:						
Investment income received	21,890	9,059	30,459	7,512	26,273	95,193
Contributions to investments in joint ventures, net			(15,326)	(4,134)	(21,249)	(40,709)
Purchase of investments	(100,576)		(5,997)		(1,709)	(108,282)
Proceeds from sales and maturities of investments					2,406	2,406
Change in restricted assets	32,065	32,200	(45)	1,295	(22,051)	43,464
Other nonoperating receipts (payments)	4,651	(13,401)			(9,656)	(18,406)
Net cash provided (used) by investing activities	**(41,970)**	**27,858**	**9,091**	**4,673**	**(25,986)**	**(26,334)**
Net increase in cash and cash equivalents	**78,126**	**123,385**	**170,919**	**47,707**	**123,169**	**543,306**
Cash and cash equivalents - beginning of year	741,159	331,844	943,930	293,548	823,411	3,133,892
Cash and cash equivalents - end of year	**$819,285**	**$455,229**	**$1,114,849**	**$341,255**	**$946,580**	**$3,677,198**

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF CASH FLOWS *continued*

For the year ended June 30, 2019 (in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL (memorandum only)
Reconciliation of income (loss) from operations to net cash provided by operating activities:						
Income (loss) from operations	($22,908)	$74,582	$168,030	($89,522)	($139,186)	($9,004)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:						
Depreciation and amortization expense	84,354	84,675	152,840	102,640	212,222	636,731
Provision for uncollectible accounts	92,731	79,962	45,706	23,308	45,779	287,486
Changes in operating assets and liabilities:						
Patient accounts receivable	(113,710)	(82,812)	(114,511)	(68,675)	(133,890)	(513,598)
Other receivables	(32)	(2,683)	3,239	188	(1,469)	(757)
Inventory	(3,441)	1,683	(4,819)	(1,837)	(1,860)	(10,274)
Prepaid expenses and other assets	(67)	(8,580)	(6,075)	1,410	(51,312)	(64,624)
Other assets	5,228				12,169	17,397
Accounts payable and accrued expenses	19,243	5,296	13,613	20,865	11,244	70,261
Accrued salaries and benefits	31,406	7,444	10,193	13,946	4,127	67,116
Third-party payor settlements, net	(13,311)	(12,221)	29,989	70,421	56,782	131,660
Other liabilities	9,827	(2,157)	1,653	(2,491)	10,189	17,021
Pension benefits	173,615	72,124	187,649	145,375	279,280	858,043
Retiree health benefits	57,226	20,416	53,519	59,027	127,689	317,877
Net cash provided by operating activities	**$320,161**	**$237,729**	**$541,026**	**$274,655**	**$431,764**	**$1,805,335**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION						
Payables for property and equipment	$12,870	$1,881	$5,487	$2,197	$17,520	$39,955
Amortization of bond premium	3,252	1,205	6,769	4,035	705	15,966
Capital asset transfers from the University	97	(921)		(13,480)		(14,304)
Change in fair value of interest rate swaps			16,098		(1,885)	14,213
Swap fair value amortization			(1,046)			(1,046)
Beneficial interests in irrevocable split-interest agreements					14,793	14,793

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA MEDICAL CENTER POOLED GROUP

Notes to Financial Statements

Years ended June 30, 2020 and 2019

1. ORGANIZATION

The University of California, Medical Centers (the Medical Centers) are operating units of the University of California (the University), a California public corporation under Article IX, Section 9 of the California Constitution. Since a majority of the Regents are appointed by the governor and approved by the state Senate, the University is a component unit of the state of California. The University is administered by The Regents of the University of California (The Regents) of which, under the formation documents of the University, administrative authority with respect to the Medical Centers is vested in the President of the University. The Medical Centers (collectively the Medical Center Pooled Group) consist of the University of California, Davis Medical Center (UC Davis Medical Center or Davis), the University of California, Irvine Medical Center (UC Irvine Medical Center or Irvine), the University of California, Los Angeles Medical Center (UCLA Medical Center or Los Angeles), the University of California, San Diego Medical Center (UC San Diego Medical Center or San Diego) and the University of California, San Francisco Medical Center (UCSF Medical Center or San Francisco). The Medical Centers provide educational and clinical opportunities for students in the University's Schools of Medicine (Schools of Medicine) and offer a comprehensive array of medical services including tertiary and quaternary care services.

The financial statements of the Medical Centers present the financial position, and the changes in financial position and cash flows, of only that portion of the University that is attributable to the transactions of the Medical Centers.

The Regents are the sole corporate and voting member of Children's Hospital & Research Center Oakland (CHRCO), a private, not-for-profit 501(c)(3) corporation. Children's Hospital & Research Center Foundation, a nonprofit public benefit corporation, is organized and operated for the purpose of supporting CHRCO. Since San Francisco provides certain management services for CHRCO, CHRCO combined with its foundation is included with UCSF Medical Center in the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Medical Centers have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable Statements of the Governmental Accounting Standards Board (GASB). The proprietary fund method of accounting is followed and uses the economic resources measurement focus and the accrual basis of accounting.

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

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

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

Significant accounting policies of the Medical Centers are as follows (total columns are memorandum only):

Cash and cash equivalents. All University operating entities maximize the returns on their cash balances by investing in a Short Term Investment Pool (STIP) managed by the Treasurer of The Regents. The Regents are responsible for managing the University's STIP and establishing the investment policy, which is carried out by the Treasurer of The Regents.

Substantially all of the Medical Centers' cash is deposited into the STIP. The Medical Centers consider demand deposits and STIP balances, other than amounts held in for construction, to be cash and cash equivalents.

The net asset value for the STIP is held at a constant value of $1, not adjusted for unrealized gains and losses associated with the fluctuation in the fair value of the investments included in the STIP (which are predominately held to maturity) and are not recorded by each operating entity but absorbed by the University as the manager of the pool. None of these amounts are insured by the Federal Deposit Insurance Corporation. To date, the Medical Centers have not experienced any losses on these accounts.

Interest income is reported as nonoperating revenue in the statements of revenues, expenses and changes in net position.

Additional information on cash and investments can be obtained from the University's 2019-2020 annual report.

UCSF Medical Center includes certain investments in highly liquid debt instruments with original maturities of three months or less as cash and cash equivalents.

Investments. Investments are reported at fair value. The Medical Centers' investments consist of investments in the UC Regents Total Return Investment Pool (TRIP), Blue and Gold Pool (BGP) and General Endowment Pool (GEP). UCSF Medical Center's investments consist of investments in the UCSF Foundation's (UCSFF's) Endowed Investment Pool (EIP), the University's STIP and other investment securities. The basis of determining the fair value of pooled funds or mutual funds is determined as the number of units held in the pool multiplied by the price per unit share, computed on the last day of the month. Securities are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Certain securities may be valued on a basis of a price provided by a single source.

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 at estimated fair value at the date of donation.

Inventory. The Medical Centers' inventory consists primarily of pharmaceuticals and medical supplies which are stated on a first-in, first-out basis at the lower of cost or market.

Prepaid expenses and other assets. The Medical Centers' prepaid expenses are primarily prepayments for pharmaceuticals and medical supplies, rent, equipment and maintenance contracts. Other assets include beneficial interests in irrevocable split-interest agreements administered by third parties.

Restricted assets, deposits held for hospital construction. The University directly finances the construction, renovation and acquisition of facilities and equipment as authorized by The Regents through the issuance of debt obligations. Bond proceeds are primarily invested in STIP and are released to the Medical Centers when spent on qualifying expenditures for hospital construction.

Restricted assets, donor funds. The Medical Centers have been designated as the trustees for several charitable remainder trusts. The trusts are established by donors to provide income to designated beneficiaries, generally for life. Upon maturity, the principal in the trusts will be distributed to the Medical Centers. Trust assets are recorded at fair value.

The Medical Centers have been named the irrevocable beneficiaries for several charitable remainder trusts for which the Medical Centers are not the trustees. Upon maturity of each trust, the remainder of the trust corpus will be transferred to the Medical Centers. These funds cannot be sold, disbursed or consumed until a specified number of years have passed or a specific event has occurred. The Medical Centers recognize contribution revenue when all eligibility requirements have been met.

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

Capital assets, net. The Medical Centers' capital assets are reported at cost at the date of acquisition. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. The range of the estimated useful lives for the Medical Centers' buildings and land improvements is 5 to 40 years and 2 to 20 years for equipment. University guidelines mandate that land purchased with the Medical Centers' funds is recorded as an asset of the Medical Centers. Land utilized by the Medical Centers but purchased with other sources of funds is recorded as an asset of the University. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized by the Medical Centers if the cost exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of $5,000 and a useful life of more than one year is capitalized. Incremental costs, including salaries and employee benefits, directly related to the acquisition, development and installation of major software projects are included in the cost of the capital assets. Prior to implementing Statement No. 89, interest on borrowings to finance facilities was capitalized during construction, net of any investment income earned on tax-exempt borrowings during the temporary investment of project-related borrowings.

Investments in joint ventures. Certain Medical Centers have entered into joint-venture arrangements with various third-party entities that include home health services, cancer center operations and a health maintenance organization. Investments in these joint ventures are recorded using the equity method.

Interest rate swap agreements. Certain Medical Centers have entered into interest rate swap agreements to limit the exposure of their variable-rate debt to changes in market interest rates. These derivative financial instruments are agreements that 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 difference to be paid or received is recognized over the life of the agreements as an adjustment to interest expense.

Interest rate swaps are recorded at fair value as either assets or liabilities in the statements of net position. The Medical Centers have determined that the market interest rate swaps are hedging derivatives that hedge future cash flows. Under hedge accounting, changes in the fair value are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values).

At the time of pricing certain interest rate swaps, the fixed rate of the swaps was off-market such that the Medical Centers received an upfront payment. As such, the swaps consist of an at-the-market interest rate swap derivative instrument and a borrowing, represented by the upfront payment. The unamortized amount of the borrowing is included in the current and noncurrent portion of debt and amortized as interest expense over the term of the bonds.

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

Self-insurance programs. The University is self-insured or insured through a wholly owned captive insurance company for medical malpractice, workers' compensation, employee health care and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer.

Liabilities are recorded when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. The estimated liabilities are based upon an independent actuarial determination of the present value of the anticipated future payments. While the Medical Centers participate in the self-insurance programs, they are administered by the University of California Office of the President. Accordingly, the self-insurance assets and liabilities are not included in the accompanying financial statements.

CHRCO has a claims-made policy for medical malpractice claims. Under this policy, insurance premiums cover only those claims actually reported during the policy term. Should the claims-made policy not be renewed, or replaced with equivalent insurance, claims related to occurrences during their terms but reported subsequent to their termination may be uninsured. CHRCO has a high-deductible, per-occurrence policy for workers' compensation with no limit, and is effectively self-insured due to the high deductible. CHRCO has a self-insured preferred provider organization plan for health claims.

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

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

Changes in net pension and retiree health liabilities not included in expense, including proportionate shares of collective pension and retiree health expenses from the University of California Retirement Plan, are reported as deferred outflows of resources or deferred inflows of resources.

Net position. Net position is required to be classified for accounting and reporting purposes in the following categories:

Net Investment in Capital Assets — Capital assets, net of accumulated depreciation, reduced by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted — The Medical Centers classify net position resulting from transactions with purpose restrictions as restricted net assets until the resources are used for the specific purpose or for as long as the provider requires the resources to remain intact.

Nonexpendable — Net position subject to externally imposed restrictions that must be retained in perpetuity. Also included in nonexpendable net position are minority interests, which include the net position of legally separate organizations attributable to other participants.

Expendable — Net position whose use is subject to externally imposed restrictions that can be fulfilled by actions pursuant to those restrictions or that expire by the passage of time.

Unrestricted — Net positions that are neither restricted nor invested in capital assets, net of related debt. Unrestricted net position may be designated for specific purposes by management or The Regents. Substantially all unrestricted net positions are allocated for operating initiatives or programs, or for capital programs.

Expenses are charged to either restricted or unrestricted net position based upon a variety of factors, including consideration of prior and future revenue sources, the type of expense incurred, budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost. Unrestricted net position is negative due primarily to obligations for pension and retiree health benefits exceeding the Medical Centers' reserves.

Contributions received by CHRCO may be designated by the donor for restricted purposes or may be without restriction as to their use. Contributions restricted by donors as to use or time period are reported as restricted until used in a manner designated or upon expiration of the time period. Under California law, income and gains on permanently restricted net position are maintained in restricted expendable net position until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act. Income and gains on permanently restricted net position that are available for expenditure are $9.3 million and $9.5 million as of June 30, 2020 and 2019, respectively.

Revenues and expenses. Revenues received through conducting the programs and services of the Medical Centers are presented in the financial statements as operating revenue. Revenues include professional fees earned by the faculty physicians practicing as the UCSF Faculty Clinical Practices.

Operating revenues include net patient service revenue reported at the estimated net realizable amounts from patients, third-party payors including Medicare and Medi-Cal, and others for services rendered, including estimated retroactive audit adjustments under reimbursement agreements with third-party payors. 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. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. The Medical Centers believe that they are in compliance with all applicable laws and regulations related to the Medicare and Medi-Cal programs.

The Medical Centers estimate and recognize a provision for uncollectible accounts based on historical experience.

CHRCO receives grants from federal agencies and other third parties. Government grants are reimbursed based on actual expenses incurred or units of service provided. Revenue from these grants is recognized either when expenses are incurred or when services are provided, depending on the grant award agreements.

Substantially all of the Medical Centers' operating expenses are directly or indirectly related to patient care activities.

Nonoperating revenues and expenses include direct government grants from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Hospital Fee Program grants, interest income and expense, federal interest subsidies, gains on bond retirements, the gain or loss on the disposal of capital assets and other nonoperating revenue and expenses.

In 2020, the Medical Centers received grants under the CARES Act Provider Relief Fund (PRF) to minimize the impacts of lost revenues and increased expenses related to COVID-19. The Medical Centers recognized direct grants as nonoperating revenues based on estimates of lost revenues and increased expenses following the information contained in laws and regulations, as well as interpretations issued by the Department of Health and Human Services, governing the funding that was publicly available at June 30, 2020.

Health system support, donated assets, contributions for building programs, transfers to the University and changes in allocation for pension payable to the University are classified as other changes in net position.

Net pension liability. The University of California Retirement Plan (UCRP) provides retirement benefits to retired employees of the Medical Centers. The Medical Centers are required to contribute to UCRP at a rate set by The Regents. Net pension liability includes the Medical Centers' share of the University's net pension liability for UCRP. The Medical Centers' share of net pension liability, deferred inflows of resources, deferred outflows of resources and pension expense have been determined based upon their proportionate share of covered compensation for the fiscal year. The fiduciary net position and changes in the fiduciary net position of UCRP have been measured consistent with the accounting policies used by the Plan. For purposes of measuring UCRP's fiduciary net position, investments are reported at fair value and benefit payments are recognized when due and payable in accordance with the benefit terms.

Net pension liability also includes the net pension liability for the Retirement Plan for Children's Hospital & Research Center Oakland (CHRCO Plan). The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position have been measured consistent with the accounting policies used by the CHRCO Plan. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

Net retiree health benefits liability. The University provides retiree health benefits to retired employees of the Medical Centers. The University established the University of California Retiree Health Benefit Trust (UCRHBT) to allow certain University locations and affiliates, including the Medical Centers, to share the risks, rewards and costs of providing for retiree health benefits and to accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. Contributions from the Medical Centers to the UCRHBT are effectively made to a single-employer health plan administered by the University as a cost-sharing plan. The Medical Centers are required to contribute at a rate assessed each year by the University.

Net retiree health benefits liability includes the Medical Centers' share of the University's net retiree health benefits liability for UCRHBT. The Medical Centers' share of net retiree health benefits liability, deferred inflows of resources, deferred outflows of resources and retiree health benefits expense have been determined based upon their proportionate share of UCRP's covered compensation for the fiscal year. The fiduciary net position and changes in net position of UCRHBT have been measured consistent with the accounting policies used by the trust. For purposes of measuring UCRHBT's fiduciary net position, investments are reported at fair value and benefit payments are recognized when due and payable in accordance with the benefit terms.

Pension payable to University. Additional deposits in UCRP have been made using University resources to make up the gap between the approved contribution rates and the required contributions based on The Regents' funding policy. These deposits, carried as internal loans by the University, are being repaid by the Medical Centers, plus accrued interest, through 2042 with a supplemental pension assessment. The Medical Centers' share of the internal loans has been determined based upon their proportionate share of covered compensation for the fiscal year. Supplemental pension assessments are reported as pension expense by the Medical Centers. Additional deposits in UCRP by the University, and changes in the Medical Centers' share of the internal loans, are reported as other changes in net position.

Charity care. The Medical Centers provide care to patients who meet certain criteria under their charity care policies without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are not reported as net patient service revenue. The Medical Centers also provide services to other patients under publicly sponsored programs, which may reimburse at amounts less than the cost of the services provided to the recipients. The difference between the cost of services provided to these persons and the expected reimbursement is included in the estimated cost of charity care.

Transactions with the University and University affiliates. The Medical Centers have various transactions with the University and University affiliates. The University, as the primary reporting entity, has at its discretion the ability to transfer cash from the Medical Centers at will (subject to certain restrictive covenants or bond indentures) and to use that cash at its discretion. The Medical Centers record expense transactions where direct and incremental economic benefits are received by the Medical Centers. Payments, which constitute subsidies or payments for which the Medical Centers do not receive direct and incremental economic benefit, are recorded as health system support in the statements of revenues, expenses and changes in net position.

Certain revenues and expenses are allocated from the University to the Medical Centers. Allocated expenses reported as operating expenses in the statements of revenues, expenses and changes in net position are management's best estimates of the Medical Centers' arms-length payment of such amounts for its market-specific circumstances. To the extent that payments to the University exceed an arms-length estimated amount relative to the benefit received by the Medical Centers, they are recorded as health system support.

Compensated absences. The Medical Centers accrue 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.

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

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 these 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.

Reclassifications. Certain reclassifications have been made to the 2019 financial information to conform to the 2020 financial statement presentation.

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

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

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

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

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

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

2. INVESTMENTS

The composition of investments, by investment type and fair value level at June 30, is as follows:

(in thousands of dollars)

	FAIR VALUE LEVEL	DAVIS	LOS ANGELES		SAN FRANCISCO	
		2019	**2020**	**2019**	**2020**	**2019**
Fixed- or variable-income securities:						
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	2				$405	$442
U.S. government-guaranteed					**405**	**442**
Commingled funds:						
U.S. equity funds	1				890	963
Non-U.S. equity funds	1				351	395
U.S. bond funds	1				289	308
Non-U.S. bond funds	1				131	147
Money market funds	1				51	95
Balanced funds	NAV	$103,536	$313,950	$310,295	245,192	243,152
Commingled funds		**103,536**	**313,950**	**310,295**	**246,904**	**245,060**
Publicly traded real estate investment trusts	1				252	270
Total investments		**103,536**	**313,950**	**310,295**	**247,561**	**245,772**
Less: Current portion		(103,536)	(241,947)	(241,738)		
Less: Reported as restricted assets in donor funds					(52,335)	(50,178)
Noncurrent portion			**$72,003**	**$68,557**	**$195,226**	**$195,594**

The University-managed commingled funds (UC pooled funds) serve as the core investment vehicle for the Medical Centers. A description of the funds used is as follows:

TRIP. The Total Return Investment Pool (TRIP) allows participants 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 supplements STIP by investing in an intermediate-term, higher-risk portfolio allocated across equities, fixed-income and liquid alternative strategies, and allows participants to maximize the return on their long-term capital. The objective of TRIP is to generate a rate of return above the policy benchmark, after all costs and fees, consistent with liquidity, cash flow requirements and the risk. UCLA Medical Center's investment in TRIP is classified as commingled balanced funds. TRIP is considered to be an external investment pool from the Medical Center's perspective. The fair value of the UCLA Medical Center's investment in TRIP was $241.9 million and $241.7 million at June 30, 2020 and 2019, respectively.

Investments in TRIP require at least one calendar quarter notice to the campus for any redemptions or withdrawals. Withdrawals will occur on the last business day of the month. Investments into TRIP are subject to certain withdrawal guidelines such as limiting the withdrawals to 10 percent of the current value of TRIP in any one quarter.

BGP. The Blue & Gold Pool (BGP) is an investment pool established by The Regents and is available to the University and its related entities. The objective of BGP is to provide a low cost, liquid, diversified investment vehicle to invest long-term excess reserves to earn a higher return than would otherwise be expected from the STIP and TRIP. To achieve liquidity, transparency and minimal expense, a passive investment strategy in equities and bonds is used. UC Davis Medical Center's investment in BGP is classified as commingled balanced funds. BGP is considered to be an external investment pool from the Medical Center's perspective. The fair value of the UC Davis Medical Center's investment in BGP was $103.5 million at June 30, 2019. On April 30, 2020, BGP was liquidated and the proceeds were transferred to STIP.

GEP. The General Endowment Pool (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 of equities, fixed-income securities and alternative investments. The primary goal is to maximize long-term total return, growth of principal and a growing payout stream to ensure that future funding for endowment-supported activities can be maintained. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements. UCLA Medical Center's investment in GEP is classified as commingled funds. GEP is considered to be an external investment pool from the Medical Center's perspective. The fair value of the UCLA Medical Center's investment in GEP was $72.0 million and $68.6 million at June 30, 2020 and 2019, respectively.

EIP. UCSF Medical Center invests primarily in the UCSF Foundation's Endowed Investment Pool (EIP). EIP is the UCSF Foundation's primary investment vehicle for endowed gifts. The Foundation's primary investment objective is growth of principal sufficient to preserve purchasing power and provide income to support current and future activities. Investments in EIP include high-quality, readily marketable equity and fixed-income securities; other types of investments, including derivative instruments such as financial futures, may be made at the direction of the UCSF Foundation's Investment Committee. EIP represents investments in a unitized pool. UCSF Medical Center's investment in EIP is classified as commingled funds. Transactions within each individual endowment in the pool are based on the unit market value at the beginning or end of the month during which the transaction takes place for withdrawals and additions, respectively.

Investments in the EIP by the UCSF Foundation require at least twelve months' prior written notice of intention to terminate as of a date specified in the notice. Withdrawals will occur on the last business day of the month and are subject to certain withdrawal guidelines such as providing a forecasted schedule of cash withdrawals 90 days prior to the start of each fiscal year.

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

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

Level 1 — Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Level 1 investments include equity securities, commingled funds (exchange traded funds and mutual funds) and other publicly traded securities.

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

Level 3 — Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment.

Net Asset Value (NAV) — Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in non-governmental entities that do not have a readily determinable fair value may be valued at NAV. Investments measured at NAV include commingled balanced funds.

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

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. UCLA Medical Center and UCSF Medical Center have established investment policies to provide the basis for the management of a prudent investment program appropriate to the particular fund type.

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 the security price to decline. These circumstances may arise due to a variety of factors, such as financial weakness or bankruptcy.

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 rating agencies; for example, Moody's Investor Service (Moody's) or Standard & Poor's (S&P). The lower the rating, the greater the chance, in the rating agency's opinion, that the bond issuer will default, or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

Certain fixed-income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are considered to have minimal credit risk. The credit risk profile for investments at June 30, 2020 and 2019 is as follows:

(in thousands of dollars)

	SAN FRANCISCO	
	2020	2019
Fixed- or variable-income securities:		
U.S. government-guaranteed	$405	$442
Commingled funds:		
U.S. bond funds: Not rated	289	308
Non-U.S. bond funds: Not rated	131	147
Money market funds: Not rated	51	95

UC Davis Medical Center's, UCLA Medical Center's and UCSF Medical Center's commingled funds (including GEP, BGP, EIP and TRIP) are not rated.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned. Substantially all of UCSF Medical Center's investments are registered in the name of the UCSF Foundation. UCLA Medical Center's investments are registered in the name of the University.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss associated with a lack of diversification of having too much invested in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments. Securities issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools and other pooled investments are not subject to concentration of credit risk. Investments in the various investment pools managed by the Office of the Chief Investment Officer of The Regents and the UCSF Foundation are external investment pools and are not subject to concentration of credit risk. There is no concentration of any single individual issuer of investments that comprises more than five percent of total investments.

Interest Rate Risk

Interest rate risk is the risk that the fair 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.

The effective durations for fixed- or variable-income securities at June 30, 2020 and 2019 are as follows:

	SAN FRANCISCO	
	2020	**2019**
U.S. government-guaranteed:		
U.S. Treasury bills, notes and bonds	6.4	5.3

UCSF Medical Center considers the effective duration for money market funds to be zero, and effective duration information for the EIP is unavailable.

Investments include other asset-backed securities, which 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. The relationship between interest rates and prepayments makes the fair value highly sensitive to changes in interest rates.

Foreign Currency Risk

The University's strategic asset allocation policy for TRIP, BGP and GEP as well as the UCSF Foundation's asset allocation strategy includes allocations to non-U.S. equities and non-dollar-denominated bonds. Exposure from foreign currency risk results from investments in foreign currency-denominated equity, fixed-income and private equity securities. At June 30, 2020 and 2019, UCSF Medical Center is subject to foreign currency risk as a result of holding various currency denominations in the following investments:

(in thousands of dollars)

	SAN FRANCISCO	
	2020	**2019**
Commingled funds:		
Non-U.S. equity funds	$351	$395
Non-U.S. bond funds	131	147
Real estate investment trusts	84	92
Total exposure to foreign currency risk	**$566**	**$634**

3. NET PATIENT SERVICE REVENUE

The Medical Centers have agreements with third-party payors that provide for payments at amounts different from the Medical Centers' established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare. Medicare patient revenues include traditional reimbursement under Title XVIII of the Social Security Act or Medicare capitated contract revenue.

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient non-acute services, certain outpatient services and medical education costs related to Medicare beneficiaries are paid based, in part, on a cost reimbursement methodology. Medicare reimburses hospitals for covered outpatient services rendered to its beneficiaries by way of an outpatient prospective payment system based on ambulatory payment classifications. The Medical Centers do not believe that there are significant credit risks associated with the Medicare program.

The Medical Centers are reimbursed for cost reimbursable items at a tentative rate with final settlement of such items determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The Medical Centers' classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Medical Centers have received final notices from the Medicare fiscal intermediary through June 30, 2014 for UC Davis Medical Center; through June 30, 2011 for UC Irvine Medical Center; through June 30, 2014 for Ronald Reagan UCLA Medical Center; through June 30, 2017 for the Santa Monica Hospital; through June 30, 2017 for the Resnick Neuropsychiatric Hospital; through June 30, 2011, for UC San Diego Medical Center; through June 30, 2011 for UCSF Medical Center; and through June 30, 2017 for CHRCO. The fiscal intermediary is in the process of conducting their audits of the subsequent cost reports. The results of these audits have yet to be finalized and any amounts due to or from Medicare have not been determined. Estimated receivables and payables related to all open cost reporting periods are included in the statements of net position as third-party payor settlements.

Medi-Cal. The Medicaid program is referred to as Medi-Cal in California. Medi-Cal fee-for-service (FFS) inpatient hospital payments are made in accordance with the federal Medicaid hospital financing waiver and legislation enacted by the state of California (Waiver Program). The Waiver Program has been enacted in three five-year phases, the first covering 2006 through 2010, the second covering 2011 through 2015 and the third covering 2016 through 2020. The total payments under the Waiver Program made to the Medical Centers include a combination of Medi-Cal inpatient FFS payments, Medi-Cal Disproportionate Share Hospital (DSH) payments and the Safety Net Care Pool. Effective November 2011 through 2015, the Medical Centers are also eligible to receive incentive payments designed to encourage delivery system innovation in connection with federal health care reform. Effective July 2017, the Medical Centers may be eligible to receive enhanced payments and additional reimbursement for Medi-Cal managed care patients. However, since final approval of these payments is still pending with the Centers for Medicare & Medicaid Services, the Medical Centers have not recognized revenues as of June 30, 2020 and 2019 for such payments.

The Medical Centers are reimbursed at interim rates with final settlement of such items determined after submission of annual filings and audits thereof by the state. Payments under The Waiver Program are based on the allocation of pooled funds amongst all participating designated public hospitals in the state and are subject to change based on the audit results of the other participating designated public hospitals. The Medical Centers have received final settlements for the Waiver Program through 2007. The state is in the process of conducting audits of subsequent years of the Waiver Program. The results of these audits have yet to be finalized and any amounts due to or from Medi-Cal have not been determined. Estimated receivables and payables related to all Waiver Program reporting periods are included in the statements of net position as third-party payor settlements.

CHRCO has a contractual agreement with the Medi-Cal program, which includes patients that qualify for California Children's Services. CHRCO is an essential Medi-Cal and California Children's Services provider. Inpatient services are reimbursed by the All Patient Refined Diagnosis Related Group, at a per-case rate based upon acuity. Outpatient services are paid via fee schedules. In addition, CHRCO is the recipient of Medi-Cal funds under various state of California programs, in particular the Private Hospital Supplemental Fund and DSH. The state of California funds eligible hospitals based upon the total pool of funding available and a formula for distribution. The legislative funding is subject to retroactive reductions and potential future elimination.

Hospital Fee Program. State of California Assembly Bill 1383 of 2009, as amended by AB 1653 on September 8, 2010, and extended through 2013, established a series of Medicaid supplemental payments funded through a Quality Assurance Fee and a Hospital Fee Program, which are imposed on certain California hospitals. The effective date of the Hospital Fee Program was April 1, 2009 through December 31, 2013, and was predicated, in part, on the enhanced Federal Medicaid Assistance Percentage contained in the American Reinvestment and Recovery Act. The Hospital Fee Program was extended for three years starting on January 1, 2014 with SB 239. The hospital fee program was made permanent through the passage of the Medi-Cal Funding and Accountability Act (Proposition 52), in the November 2016 General Election. By removing the sunset date of Jan. 1, 2018, in the existing statute (SB 239, 2013), the Act becomes the framework for all future hospital fee programs. Proposition 52 also makes permanent the limit on the amount the state can take out of the program for the General Fund; the construct of the fee program (both the fee side and the payment mechanisms); and the source of data and information used to develop the program. The current program in effect covers the period from July 1, 2019 through December 31, 2021. The Hospital Fee Program makes supplemental payments to hospitals for various health care services and supports the state's effort to maintain health care coverage for children. The Hospital Fee Program is funded by a Quality Assurance Fee paid by participating hospitals and matching federal funds. All of the Medical Centers, except CHRCO, are designated as public hospitals, and are exempt from paying the Quality Assurance Fee. CHRCO recognized $71.7 million and $120.8 million of patient service revenue under the Hospital Fee Program for the years ended June 30, 2020 and 2019, respectively. CHRCO paid $18.7 million and $22.9 million in Quality Assurance Fees for the years ended June 30, 2020 and 2019, respectively. The Medical Centers, including CHRCO, receive supplemental payments under the Hospital Fee Program.

Assembly Bill 915. State of California Assembly Bill 915, Public Hospital Outpatient Services Supplemental Reimbursement Program, provides for supplemental reimbursement equal to the federal share of unreimbursed facility costs incurred by public hospital outpatient departments. This supplemental payment covers only Medi-Cal fee-for-service outpatient services. The supplemental payment is based on each eligible hospital's certified public expenditures, which are matched with federal Medicaid funds.

Senate Bill 1732. State of California Senate Bill 1732 provides for supplemental Medi-Cal reimbursement to DSH for costs (i.e., principal and interest) of qualified patient care capital construction. For the years ended June 30, 2020 and 2019, the Medical Centers applied for and received additional revenue related to the reimbursement of costs for certain debt-financed construction projects based on the Medical Centers' Medi-Cal utilization rate.

Other. The Medical Centers have entered into agreements with numerous other third-party payors to provide patient care to beneficiaries under a variety of payment arrangements. These include arrangements with:

- Commercial insurance companies that reimburse the Medical Centers for reasonable and customary charges. Workers' compensation plans pay negotiated rates and are reported as contract (discounted or per-diem) revenue.
- Managed care contracts such as those with HMOs and PPOs that reimburse the Medical Centers at contracted or per-diem rates, which are usually less than full charges. CHRCO contracts with various Medi-Cal managed care plans in the state. These plans operate as state-licensed HMOs that provide health care services on a prepaid basis to enrolled Medi-Cal members residing in the county. Eligible members select the plan in which they wish to participate.
- Capitated contracts with health plans that reimburse the Medical Centers on a per-member-per-month basis, regardless of whether services are actually rendered. The Medical Centers assume a certain financial risk, as the contract requires patient treatment for all covered services. Expected losses on capitated agreements are accrued when probable and can be reasonably estimated.
- Certain health plans that have established a shared-risk pool where the Medical Centers share in any surplus associated with health care utilization as defined in the related contracts. Additionally, the Medical Centers may assume the risk of certain health care utilization costs, as determined in the related agreements. Differences between the final contract settlement and the amount estimated as receivable or payable relating to the shared-risk arrangements are recorded in the year of final settlement.
- Counties in the state of California that reimburse the Medical Centers for certain indigent patients covered under county contracts.

The most common payment arrangement for inpatient services is a prospectively determined per-diem rate or case rate. The most common payment arrangement for outpatient care is a prospective payment system that uses ambulatory payment classifications.

Amounts due from Medicare and Medi-Cal as a percentage of net patient accounts receivable at June 30 are as follows:

(shown as percentage)

	MEDICARE		MEDI-CAL	
	2020	**2019**	**2020**	**2019**
Davis	18.7%	21.3%	17.1%	17.2%
Irvine	17.9	25.0	26.3	17.5
Los Angeles	13.1	11.8	6.9	5.7
San Diego	26.2	29.3	15.7	15.1
San Francisco	9.2	11.6	7.9	7.9

CHRCO receives Medi-Cal supplemental payments, which are comprised of both federal and non-federal components. CHRCO received $118.8 million and $57.2 million under these programs for the years ended June 30, 2020 and 2019, respectively. Included in the $118.8 million is $62.0 million approved in 2020 for prior periods.

For the years ended June 30, net patient service revenue included amounts due to favorable (or unfavorable) cost report settlements with Medicare, Medi-Cal, County Medical Services Program and changes in estimate for settlements related to Medi-Cal as follows:

(in thousands of dollars)

	2020	2019
Davis	$65,624	$92,065
Irvine	14,760	1,545
Los Angeles	138,489	42,699
San Diego	87,960	1,639
San Francisco	124,222	32,624
Total	**$431,055**	**$170,572**

Net patient accounts receivable and net patient service revenues at June 30 are presented net of uncollectible accounts as follows:

(in thousands of dollars)

	PATIENT ACCOUNTS RECEIVABLE ALLOWANCE AT JUNE 30		PATIENT SERVICE REVENUE ALLOWANCE FOR THE YEAR ENDING JUNE 30	
	2020	**2019**	**2020**	**2019**
Davis	$71,511	$75,972	$56,017	$92,731
Irvine	84,448	83,163	72,221	79,962
Los Angeles	47,238	47,192	45,329	45,706
San Diego	100,971	57,828	25,545	23,308
San Francisco	68,624	62,043	47,739	45,779
Total	**$372,792**	**$326,198**	**$246,851**	**$287,486**

Net patient service revenue by major payor for the years ended June 30 is as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2020						
Medicare	$614,685	$332,035	$550,752	$576,339	$698,452	$2,772,263
Medi-Cal	585,488	317,668	459,203	522,121	653,390	2,537,870
Contract (discounted or per diem)	1,182,628	582,713	1,714,980	1,104,827	3,272,404	7,857,552
Contract (capitated)	26,097		38,102		60,381	124,580
Non-sponsored/self-pay	3,239	5,174	25,804	4,947	62,997	102,161
Total	**$2,412,137**	**$1,237,590**	**$2,788,841**	**$2,208,234**	**$4,747,624**	**$13,394,426**
2019						
Medicare	$574,220	$323,127	$569,021	$509,570	$665,052	$2,640,990
Medi-Cal	519,782	297,836	301,004	402,948	580,995	2,102,565
Contract (discounted or per diem)	1,120,409	559,256	1,793,298	1,038,929	3,158,679	7,670,571
Contract (capitated)	58,076		33,287		60,542	151,905
Non-sponsored/self-pay	4,311	18,662	25,302	4,546	65,065	117,886
Total	**$2,276,798**	**$1,198,881**	**$2,721,912**	**$1,955,993**	**$4,530,333**	**$12,683,917**

4. CHARITY CARE

Information related to the Medical Centers' charity care, as defined within the policy footnote, for the years ended June 30 is as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2020						
Charity care at established rates	$28,879	$75,771	$16,380	$83,397	$51,850	$256,277
Estimated cost of charity care	7,330	24,148	7,214	29,338	15,781	83,811
Estimated cost in excess of reimbursement for patients under publicly sponsored programs	463,585	325,279	351,533	514,496	1,290,538	2,945,431
2019						
Charity care at established rates	$21,516	$125,785	$12,592	$83,900	$59,284	$303,077
Estimated cost of charity care	4,502	34,458	4,901	26,655	16,913	87,429
Estimated cost in excess of reimbursement for patients under publicly sponsored programs	170,892	200,855	367,924	506,078	1,033,767	2,279,516

5. RESTRICTED ASSETS, DONOR FUNDS

Restricted assets due to donor restrictions are invested and remitted to the Medical Centers in accordance with the donors' wishes. Securities are held by the trustee in the name of the University. The trust agreements permit trustees to invest in equity and fixed-income securities, in addition to real property.

The composition of restricted assets due to donor restrictions at June 30 is as follows:

(in thousands of dollars)

	LOS ANGELES	SAN FRANCISCO	TOTAL
2020			
Cash and STIP	$4,155	$70,777	$74,932
General Endowment Pool and Endowed Investment Pool	5,829	49,995	55,824
Mutual funds	30		30
Charitable remainder trusts	485	2,340	2,825
Total	**$10,499**	**$123,112**	**$133,611**
2019			
Cash and STIP	$4,296	$49,982	$54,278
General Endowment Pool and Endowed Investment Pool	6,103	47,558	53,661
Mutual funds	30		30
Charitable remainder trusts	499	2,620	3,119
Total	**$10,928**	**$100,160**	**$111,088**

Donor restricted funds at June 30 are available for the following purposes:

(in thousands of dollars)

	LOS ANGELES	SAN FRANCISCO	TOTAL
2020			
Capital projects	$1,022	$2,545	$3,567
Endowments	567	52,335	52,902
Operations	8,910	68,232	77,142
Total	**$10,499**	**$123,112**	**$133,611**
2019			
Capital projects	$1,049	$2,359	$3,408
Endowments	598	50,178	50,776
Operations	9,281	47,623	56,904
Total	**$10,928**	**$100,160**	**$111,088**

Gifts and pledges are included in the financial statements of the University and transferred to the Medical Centers when used. Additional gift funds and pledges received by the related campus or foundation but not used by the Medical Centers are not included in the financial statements of the Medical Centers.

6. CAPITAL ASSETS

The Medical Centers' capital asset activity for the years ended June 30 is as follows:

(in thousands of dollars)

DAVIS	2018	ADDITIONS	DISPOSALS	2019	ADDITIONS	DISPOSALS	2020
ORIGINAL COST							
Land	$36,675			$36,675	$18,102	($250)	$54,527
Buildings and improvements	1,372,529	$104,970	($125)	1,477,374	22,700		1,500,074
Equipment	469,675	56,502	(17,596)	508,581	73,388	(24,043)	557,926
Construction in progress	125,900	(41,017)		84,883	40,468		125,351
Capital assets, at cost	**$2,004,779**	**$120,455**	**($17,721)**	**$2,107,513**	**$154,658**	**($24,293)**	**$2,237,878**

	2018	DEPRECIATION	DISPOSALS	2019	DEPRECIATION	DISPOSALS	2020
ACCUMULATED DEPRECIATION							
Buildings and improvements	$628,412	$41,179		$669,591	$42,557		$712,148
Equipment	296,035	43,175	($17,243)	321,967	52,005	($23,079)	350,893
Accumulated depreciation	924,447	**$84,354**	**($17,243)**	991,558	**$94,562**	**($23,079)**	1,063,041
Capital assets, net	**$1,080,332**			**$1,115,955**			**$1,174,837**

(in thousands of dollars)

IRVINE	2018	ADDITIONS	DISPOSALS	2019	ADDITIONS	DISPOSALS	2020
ORIGINAL COST							
Land	$12,859			$12,859			$12,859
Buildings and improvements	885,797	$48,228	($1,214)	932,811	$49,123		981,934
Equipment	476,430	43,418	(11,836)	508,012	26,522	($10,419)	524,115
Construction in progress	50,394	806		51,200	(10,213)		40,987
Capital assets, at cost	**$1,425,480**	**$92,452**	**($13,050)**	**$1,504,882**	**$65,432**	**($10,419)**	**$1,559,895**

	2018	DEPRECIATION	DISPOSALS	2019	DEPRECIATION	DISPOSALS	2020
ACCUMULATED DEPRECIATION							
Buildings and improvements	$376,875	$37,437	($1,023)	$413,289	$40,667		$453,956
Equipment	289,192	47,238	(11,620)	324,810	45,677	($9,924)	360,563
Accumulated depreciation	666,067	**$84,675**	**($12,643)**	738,099	**$86,344**	**($9,924)**	814,519
Capital assets, net	**$759,413**			**$766,783**			**$745,376**

(in thousands of dollars)

LOS ANGELES	2018	ADDITIONS	DISPOSALS	2019	ADDITIONS	DISPOSALS	2020
ORIGINAL COST							
Land	$49,499			$49,499			$49,499
Buildings and improvements	2,032,626	$32,000		2,064,626	$15,469		2,080,095
Equipment	788,519	63,956	($53,811)	798,664	55,806	($201,794)	652,676
Construction in progress	35,893	11,763		47,656	29,817		77,473
Capital assets, at cost	**$2,906,537**	**$107,719**	**($53,811)**	**$2,960,445**	**$101,092**	**($201,794)**	**$2,859,743**

	2018	DEPRECIATION	DISPOSALS	2019	DEPRECIATION	DISPOSALS	2020
ACCUMULATED DEPRECIATION							
Buildings and improvements	$616,576	$55,870	($1,568)	$670,878	$56,115	($750)	$726,243
Equipment	572,272	96,970	(50,773)	618,469	92,296	(200,878)	509,887
Accumulated depreciation	1,188,848	**$152,840**	**($52,341)**	1,289,347	**$148,411**	**($201,628)**	1,236,130
Capital assets, net	**$1,717,689**			**$1,671,098**			**$1,623,613**

(in thousands of dollars)

SAN DIEGO	2018	ADDITIONS	DISPOSALS	2019	ADDITIONS	DISPOSALS	2020
ORIGINAL COST							
Land	$8,641			$8,641			$8,641
Buildings and improvements	1,832,572	$31,251		1,863,823	$22,380		1,886,203
Equipment	468,149	22,399	($24,255)	466,293	13,755	($12,639)	467,409
Construction in progress	28,809	9,985		38,794	16,732		55,526
Capital assets, at cost	**$2,338,171**	**$63,635**	**($24,255)**	**$2,377,551**	**$52,867**	**($12,639)**	**$2,417,779**

	2018	DEPRECIATION	DISPOSALS	2019	DEPRECIATION	DISPOSALS	2020
ACCUMULATED DEPRECIATION							
Buildings and improvements	$439,947	$58,341		$498,288	$58,449		$556,737
Equipment	236,464	44,299	($10,516)	270,247	44,815	($12,248)	302,814
Accumulated depreciation	676,411	**$102,640**	**($10,516)**	768,535	**$103,264**	**($12,248)**	859,551
Capital assets, net	**$1,661,760**			**$1,609,016**			**$1,558,228**

(in thousands of dollars)

SAN FRANCISCO	2018	ADDITIONS	DISPOSALS	2019	ADDITIONS	DISPOSALS	2020
ORIGINAL COST							
Land	$143,268	$207	($2,056)	$141,419	$4,894		$146,313
Buildings and improvements	2,777,785	129,194	(166)	2,906,813	219,996	($1,390)	3,125,419
Equipment	1,112,211	58,129	(20,957)	1,149,383	143,388	(16,326)	1,276,445
Construction in progress	262,598	77,764		340,362	(97,489)	(2,431)	240,442
Capital assets, at cost	**$4,295,862**	**$265,294**	**($23,179)**	**$4,537,977**	**$270,789**	**($20,147)**	**$4,788,619**

	2018	DEPRECIATION	DISPOSALS	2019	DEPRECIATION	DISPOSALS	2020
ACCUMULATED DEPRECIATION							
Buildings and improvements	$1,110,851	$93,187		$1,204,038	$101,492	($611)	$1,304,919
Equipment	809,526	119,035	($22,517)	906,044	101,807	(15,395)	992,456
Accumulated depreciation	1,920,377	**$212,222**	**($22,517)**	2,110,082	**$203,299**	**($16,006)**	2,297,375
Capital assets, net	**$2,375,485**			**$2,427,895**			**$2,491,244**

(in thousands of dollars)

TOTAL	2018	ADDITIONS	DISPOSALS	2019	ADDITIONS	DISPOSALS	2020
ORIGINAL COST							
Land	$250,942	$207	($2,056)	$249,093	$22,996	($250)	$271,839
Buildings and improvements	8,901,309	345,643	(1,505)	9,245,447	329,668	(1,390)	9,573,725
Equipment	3,314,984	244,404	(128,455)	3,430,933	312,859	(265,221)	3,478,571
Construction in progress	503,594	59,301		562,895	(20,685)	(2,431)	539,779
Capital assets, at cost	**$12,970,829**	**$649,555**	**($132,016)**	**$13,488,368**	**$644,838**	**($269,292)**	**$13,863,914**

	2018	DEPRECIATION	DISPOSALS	2019	DEPRECIATION	DISPOSALS	2020
ACCUMULATED DEPRECIATION							
Buildings and improvements	$3,172,661	$286,014	($2,591)	$3,456,084	$299,280	($1,361)	$3,754,003
Equipment	2,203,489	350,717	(112,669)	2,441,537	336,600	(261,524)	2,516,613
Accumulated depreciation	5,376,150	**$636,731**	**($115,260)**	5,897,621	**$635,880**	**($262,885)**	6,270,616
Capital assets, net	**$7,594,679**			**$7,590,747**			**$7,593,298**

Equipment under financing obligations and related accumulated amortization at June 30 are as follows:

(in thousands of dollars)

	DAVIS	LOS ANGELES	SAN DIEGO	TOTAL
2020				
Equipment under financing obligations	$12,544	$98,644	$101,747	$212,935
Accumulated amortization	(2,378)	(49,831)	(40,315)	(92,524)
Total	**$10,166**	**$48,813**	**$61,432**	**$120,411**
2019				
Equipment under financing obligations		$102,147	$96,529	$198,676
Accumulated amortization		(47,887)	(27,834)	(75,721)
Total		**$54,260**	**$68,695**	**$122,955**

The Medical Centers made seismic improvements in order to be in compliance with Senate Bill 1953 (SB 1953), the Hospital Facilities Seismic Safety Act. Certain facilities and equipment were constructed or acquired to make seismic improvements using financing obligations of the University. These facilities and equipment were contributed at cost by the University to the Medical Centers to support the operations of the Medical Centers. Principal and interest payments required for these obligations are not reflected in the financial statements of the Medical Centers.

Davis, San Diego and San Francisco have beds in service in facilities that do not meet the requirements of SB 1953, and these facilities will either need to be retrofitted or replaced by 2030. Asset retirement obligations and related deferred outflows are recognized based on the existence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates the Medical Centers to perform asset retirement activities. Davis, San Diego and San Francisco plan to demolish certain existing facilities to comply with SB 1953. At June 30, 2020, Davis recognized asset retirement obligations of $55.8 million and an expense of $17.3 million. At June 30, 2019, Davis recognized asset retirement obligations of $53.1 million and an expense of $21.2 million. At June 30, 2020, San Diego recognized asset retirement obligations of $26.6 million and an expense of $2.0 million. At June 30, 2019, San Diego recognized asset retirement obligations of $26.6 million and an expense of $2.0 million. At June 30, 2020, San Francisco recognized asset retirement obligations of $12.5 million and an expense of $2.5 million. The estimated remaining useful lives of these assets range from 1 to 12 years.

7. SHORT-TERM ADVANCES

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

8. NOTES PAYABLE TO CAMPUS

The UC Irvine Medical Center has an outstanding internal payable of $15.5 million and $20.6 million to the Irvine campus as of June 30, 2020 and 2019, respectively. The payable bears no interest and is being repaid in annual installments with the final payment due in May 2023.

The UC San Diego Medical Center has an internal loan from the San Diego campus funded from the campus' allocation of proceeds from a series of General Revenue Bonds of The Regents. The loan is to fund a portion of the costs for an outpatient pavilion. The loan is due in May 2048 and bears interest at a rate of 5.0 percent. As of June 30, 2020 and 2019, balances of $95.9 million and $93.6 million, respectively, were outstanding and are reported as a note payable to the campus on the statements of net position. Interest payments of $4.6 million and $4.7 million were made on the loan for each of the years ended June 30, 2020 and 2019, respectively.

9. INTEREST RATE SWAP AGREEMENTS

As a means to lower the UCLA and UCSF Medical Centers' borrowing costs, when compared against fixed-rate bonds at the time of issuance, the UCLA and UCSF Medical Centers entered into interest rate swap agreements in connection with their variable-rate Medical Center Pooled Revenue Bonds. Under the swap agreements, the Medical Centers pay the swap counterparty a fixed interest rate payment and receive a variable-rate interest payment to effectively change the variable-rate bonds to synthetic fixed-rate bonds. For one of the hedging derivatives, the notional amount of the swap matches the principal amount of the variable-rate Medical Center Pooled Revenue Bonds, and the swap agreement contains scheduled reductions to outstanding notional amounts that match scheduled reductions in the variable-rate bonds. Two of the UCLA Medical Center interest rate swaps are partial hedges. The first has a swap notional amount of $25.8 million, which is less than the amount of bonds outstanding of $31.3 million. The other partial hedge has a swap notional amount of $149.0 million, while the amount of the bonds outstanding is $149.2 million.

Due to the upcoming phase out of LIBOR (the London Interbank Offered Rate), the UCLA and UCSF Medical Centers amended their interest rate swap agreements to change the index rate from LIBOR to the Federal Funds Rate in 2020 and the UCLA Medical Center refinanced the related variable rate debt that was indexed to LIBOR. For the year ended June 30, 2020, hedge accounting continued under GASB Statement No. 93 for the UCSF Medical Center interest rate swap and for the UCLA Medical Center interest rate swap agreement with the notional amount of $25.8 million. The UCLA Medical Center terminated hedge accounting for the interest rate swap agreements with the notional amount of $149.0 million used to hedge the variable rate debt that was also refinanced when the swap was amended. The result of terminating hedge accounting was to recognize a loss of $6.5 million in other nonoperating expenses.

Upon issuance of the new variable rate debt, the UCLA Medical Center commenced hedge accounting with the amended interest rate swap agreements. At the time of pricing the interest rate swaps, the fixed rate on each of the swaps was off-market such that the UCLA Medical Center received an upfront payment. As such, the swaps consist of an at-the-market interest rate swap derivative instrument and a borrowing, represented by the upfront payment. To commence hedge accounting for the new Federal Funds Rate swap agreements through 2045, an additional borrowing for the off-the-market rate swap of $7.1 million was recognized. The unamortized amount of the borrowing was $75.2 million and $71.4 million at June 30, 2020 and 2019, respectively.

The notional amounts, fair value of the interest rate swaps outstanding and the change in fair value for June 30 are as follows:

(in thousands of dollars)

	NOTIONAL AMOUNT		FAIR VALUE – POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
	2020	**2019**	**CLASSIFICATION**	**2020**	**2019**	**CLASSIFICATION**	**2020**	**2019**
Los Angeles	$174,775	$174,775	Other noncurrent liabilities	($94,839)	($65,166)	Deferred outflows	($29,673)	($16,098)
San Francisco	56,760	60,485	Other noncurrent liabilities	(10,708)	(8,320)	Deferred outflows	(2,389)	(1,885)

Because interest rates have changed since the execution of the swaps, the estimated fair value of the swaps has been determined using quoted market prices when available or a forecast of expected discounted future net cash flows. The swaps are classified as level 2 on the fair value hierarchy. The fair value of the interest rate swap is the estimated amount the Medical Centers would have either (paid) or received if the swap agreement was terminated on June 30, 2020 or 2019.

Additional terms with respect to the outstanding interest rate swaps, classified as hedging derivatives, along with the credit rating of the counterparty, are as follows:

(in thousands of dollars)

TERMS	NOTIONAL AMOUNT		EFFECTIVE DATE	MATURITY DATE	CASH PAID OR RECEIVED	COUNTERPARTY CREDIT RATING
	2020	2019				
Los Angeles						
Pay fixed 4.550 percent; receive 67 percent Federal Funds Rate +0.76 percent	$31,610		2020	2030	None	Aa2/A+
Pay fixed 4.550 percent; receive 67 percent of 3-Month LIBOR* +0.61 percent		$31,610	2016	2030	None	Aa2/A+
Pay fixed 4.625 percent; receive 67 percent Federal Funds Rate +0.80 percent	38,670		2020	2037	None	Aa2/A+
Pay fixed 4.625 percent; receive 67 percent of 3-Month LIBOR* +0.67 percent		38,670	2016	2037	None	Aa2/A+
Pay fixed 4.694 percent; receive 67 percent Federal Funds Rate +0.86 percent	54,495		2020	2043	None	Aa2/A+
Pay fixed 4.694 percent; receive 67 percent of 3-Month LIBOR* +0.74 percent		54,495	2016	2043	None	Aa2/A+
Pay fixed 4.741 percent; receive 67 percent Federal Funds Rate +0.90 percent	24,250		2020	2045	None	Aa2/A+
Pay fixed 4.741 percent; receive 67 percent of 3-Month LIBOR* +0.79 percent		24,250	2016	2045	None	Aa2/A+
Pay fixed 4.741 percent; receive 67 percent Federal Funds Rate +0.90 percent	25,750		2020	2047	None	Aa2/A+
Pay fixed 4.741 percent; receive 67 percent of 3-Month LIBOR* +0.79 percent		25,750	2016	2047	None	Aa2/A+
San Francisco						
Pay fixed 3.590 percent; receive 58 percent of Federal Funds Rate + 0.564 percent	56,760		2020	2032	None	Aa2/A+
Pay fixed 3.590 percent; receive 58 percent of 1-Month LIBOR* +0.48 percent		60,485	2007	2032	None	Aa2/A+

** London Interbank Offered Rate (LIBOR)*

Interest Rate Swap Risk Factors

Credit Risk

The Medical Centers could be exposed to credit risk if the counterparties to the swap contracts are unable to meet the terms of the contracts. Contracts with positive fair values are exposed to credit risk. The Medical Centers face a maximum possible loss equivalent to the amount of the swap contract's fair value, less any collateral held by the Medical Centers provided by the counterparties. Swap contracts with negative fair values are not exposed to credit risk. Although the Medical Centers have entered into the interest rate swap contracts with creditworthy financial institutions, 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 swaps held by the UCSF Medical Center. Depending on the fair value and the counterparty credit rating for the UCLA Medical Center swaps, the University may be entitled to receive collateral to the extent the positive fair value exceeds $20.0 million as of June 30, 2020. At June 30, 2020 and 2019, there was no collateral required.

Interest Rate Risk

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

Basis Risk

In connection with the UCLA Medical Center swaps and the UCSF Medical Center swap, there is a risk that the basis for the variable payment received will not match the variable payment on the bonds that expose the UCLA Medical Center and the UCSF Medical Center to basis risk whenever the interest rates on the bonds are reset. Interest rates on the bonds are tax-exempt interest rates, while the basis of the variable receipt on the interest rate swap is taxable. Tax-exempt interest rates can change without a corresponding change in the Federal Funds rate due to factors affecting the tax-exempt market, which do not have a similar effect on the taxable market.

Termination Risk

There is termination risk for interest rate swaps associated with variable-rate bonds in the event of nonperformance by counterparties in an adverse market resulting in cancellation of the synthetic interest rate and returning the interest rate payments to the variable interest rates on the bonds. For the interest rate swap held by the UCSF Medical Center, the termination threshold is reached when the credit quality rating for either the underlying Medical Center Pooled Revenue Bonds or swap counterparty falls below Baa2 or BBB. For the swaps held by the UCLA Medical Center, the termination threshold is reached when the credit quality rating for the underlying Medical Center Pooled Revenue Bonds falls below Baa3/BBB-, or the interest rate swap counterparty's rating falls below Baa2 or BBB. Upon termination, the Medical Centers may also owe a termination payment if there is a realized loss based on the fair value of each interest rate swap.

10. LONG-TERM DEBT AND FINANCING OBLIGATIONS

The Medical Centers' outstanding debt at June 30 is as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2020						
University of California Medical Center Pooled Revenue Bonds:						
2007 Series B*					$56,760	$56,760
2009 Series F Build America Bonds		$155,855	$143,320	$110,355	19,620	429,150
2010 Series H Build America Bonds					700,000	700,000
2010 Series I			3,840			3,840
2013 Series J	$7,615	1,680	53,100	298,920	525	361,840
2013 Series K*			31,300			31,300
2016 Series L	221,660	116,945	249,190	84,725	106,135	778,655
2016 Series M	49,860	34,610	38,990		18,340	141,800
2020 Series N	373,701	233,970	457,898	332,767	401,664	1,800,000
2020 Series O*			149,210			149,210
University of California General Revenue Bonds:						
2017 Series AY	4,525	1,765	20,365	192,785		219,440
Financing obligations	10,261		76,306	48,005		134,572
Other borrowings			75,205			75,205
Total outstanding debt and financing obligations	**667,622**	**544,825**	**1,298,724**	**1,067,557**	**1,303,044**	**4,881,772**
Unamortized bond premium	37,159	18,817	43,848	41,946	15,716	157,486
Total debt and financing obligations	**704,781**	**563,642**	**1,342,572**	**1,109,503**	**1,318,760**	**5,039,258**
Less: Current portion	(23,450)	(5,790)	(30,543)	(21,599)	(19,755)	(101,137)
Noncurrent portion of debt and financing obligations	**$681,331**	**$557,852**	**$1,312,029**	**$1,087,904**	**$1,299,005**	**$4,938,121**

** Variable-rate bonds*

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019						
University of California Medical Center Pooled Revenue Bonds:						
2007 Series B*					$60,485	$60,485
2007 Series C-2*			$149,025			149,025
2009 Series F Build America Bonds		$155,855	143,320	$110,355	19,620	429,150
2010 Series G & I			5,810	4,915		10,725
2010 Series H Build America Bonds					700,000	700,000
2013 Series J	$8,740	1,960	56,090	299,885	525	367,200
2013 Series K*			31,300			31,300
2016 Series L	234,830	119,725	256,715	86,095	106,705	804,070
2016 Series M	53,690	36,015	42,365		18,910	150,980
University of California General Revenue Bonds:						
2017 Series AY	4,525	1,765	20,365	192,785		219,440
Financing obligations			85,622	57,980		143,602
Other borrowings			71,441			71,441
Total outstanding debt and financing obligations	**301,785**	**315,320**	**862,053**	**752,015**	**906,245**	**3,137,418**
Unamortized bond premium	40,245	20,016	46,758	45,868	16,421	169,308
Total debt and financing obligations	**342,030**	**335,336**	**908,811**	**797,883**	**922,666**	**3,306,726**
Less: Current portion	(21,211)	(5,663)	(31,889)	(26,695)	(5,570)	(91,028)
Noncurrent portion of debt and financing obligations	**$320,819**	**$329,673**	**$876,922**	**$771,188**	**$917,096**	**$3,215,698**

** Variable-rate bonds*

Significant terms of the Medical Centers' outstanding debt are as follows:

	INTEREST RATE	INTEREST PAYMENT FREQUENCY	PRINCIPAL PAYMENT TERMS
University of California Medical Center Pooled Revenue Bonds:			
2007 Series B*	0.1 percent	Monthly	Through 2032
2009 Series F Build America Bonds	4.3 percent, after 35.0 percent federal subsidy	Semi-annually	Through 2049
2010 Series H Build America Bonds	4.2 percent, after 35.0 percent federal subsidy	Semi-annually	Through 2048
2010 Series I	5.8 percent	Semi-annually	Through 2025
2013 Series J	4.0 percent to 5.3 percent	Semi-annually	Through 2048
2013 Series K*	0.1 percent	Monthly	Beginning 2045 through 2047
2016 Series L	2.5 percent to 5.0 percent	Semi-annually	Through 2047
2016 Series M	1.6 percent to 3.5 percent	Semi-annually	Through 2047
2020 Series N	3.0 percent to 3.7 percent	Semi-annually	Beginning 2050 through 2120
2020 Series O*	0.1 percent	Monthly	Beginning 2023 through 2045
University of California General Revenue Bonds:			
2017 Series AY	3.0 percent to 5.0 percent	Semi-annually	Beginning 2022 through 2041
Financing obligations (primarily for computer and medical equipment, collateralized by underlying equipment)	Fixed interest rates of 1.1 percent to 6.0 percent	Monthly, quarterly	Through 2042

**Variable-rate bonds*

Total interest expense and interest capitalized during the years ended June 30 are as follows:

(in thousands of dollars)

	2020	2019	
	INTEREST EXPENSE	INTEREST EXPENSE	INTEREST CAPITALIZED
Davis	$15,784	$7,591	$2,455
Irvine	18,786	15,511	597
Los Angeles	39,113	33,562	382
San Diego	43,914	39,150	1,410
San Francisco	59,001	35,763	17,250
Total	**$176,598**	**$131,577**	**$22,094**

The activity with respect to current and noncurrent debt is as follows:

(in thousands of dollars)

DAVIS	REVENUE BONDS	FINANCING OBLIGATIONS	TOTAL
Year ended June 30, 2020			
Long-term debt and financing obligations at June 30, 2019	$342,030		$342,030
New obligations	373,701	$12,544	386,245
Principal payments and debt retirements	(18,125)	(2,283)	(20,408)
Amortization of bond premium	(3,086)		(3,086)
Long-term debt and financing obligations at June 30, 2020	**694,520**	**10,261**	**704,781**
Less: Current portion	(21,243)	(2,207)	(23,450)
Noncurrent portion of long-term debt and financing obligations at June 30, 2020	**$673,277**	**$8,054**	**$681,331**
Year ended June 30, 2019			
Long-term debt and financing obligations at June 30, 2018	$363,182		$363,182
Principal payments and debt retirements	(17,900)		(17,900)
Amortization of bond premium	(3,252)		(3,252)
Long-term debt and financing obligations at June 30, 2019	**342,030**		**342,030**
Less: Current portion	(21,211)		(21,211)
Noncurrent portion of long-term debt and financing obligations at June 30, 2019	**$320,819**		**$320,819**

(in thousands of dollars)

IRVINE	REVENUE BONDS	FINANCING OBLIGATIONS	TOTAL
Year ended June 30, 2020			
Long-term debt and financing obligations at June 30, 2019	$335,336		$335,336
New obligations	233,970		233,970
Principal payments and debt retirements	(4,465)		(4,465)
Amortization of bond premium	(1,199)		(1,199)
Long-term debt and financing obligations at June 30, 2020	**563,642**		**563,642**
Less: Current portion	(5,790)		(5,790)
Noncurrent portion of long-term debt and financing obligations at June 30, 2020	**$557,852**		**$557,852**
Year ended June 30, 2019			
Long-term debt and financing obligations at June 30, 2018	$337,781	$291	$338,072
Principal payments and debt retirements	(1,240)	(291)	(1,531)
Amortization of bond premium	(1,205)		(1,205)
Long-term debt and financing obligations at June 30, 2019	**335,336**		**335,336**
Less: Current portion	(5,663)		(5,663)
Noncurrent portion of long-term debt and financing obligations at June 30, 2019	**$329,673**		**$329,673**

(in thousands of dollars)

LOS ANGELES	REVENUE BONDS	FINANCING OBLIGATIONS	OTHER BORROWINGS	TOTAL
Year ended June 30, 2020				
Long-term debt and financing obligations at June 30, 2019	$751,748	$85,622	$71,441	$908,811
New obligations	607,108		75,957	683,065
Refinancing or prepayment of outstanding debt	(149,025)		(68,905)	(217,930)
Principal payments and debt retirements	(15,860)	(9,316)		(25,176)
Amortization of bond premium	(2,910)		(3,288)	(6,198)
Long-term debt and financing obligations at June 30, 2020	**1,191,061**	**76,306**	**75,205**	**1,342,572**
Less: Current portion	(17,810)	(9,725)	(3,008)	(30,543)
Noncurrent portion of long-term debt and financing obligations at June 30, 2020	**$1,173,251**	**$66,581**	**$72,197**	**$1,312,029**
Year ended June 30, 2019				
Long-term debt and financing obligations at June 30, 2018	$767,564	$94,551	$75,244	$937,359
Principal payments and debt retirements	(12,850)	(8,929)		(21,779)
Amortization of bond premium	(2,966)		(3,803)	(6,769)
Long-term debt and financing obligations at June 30, 2019	**751,748**	**85,622**	**71,441**	**908,811**
Less: Current portion	(18,770)	(9,316)	(3,803)	(31,889)
Noncurrent portion of long-term debt and financing obligations at June 30, 2019	**$732,978**	**$76,306**	**$67,638**	**$876,922**

(in thousands of dollars)

SAN DIEGO	REVENUE BONDS	FINANCING OBLIGATIONS	TOTAL
Year ended June 30, 2020			
Long-term debt and financing obligations at June 30, 2019	$739,903	$57,980	$797,883
New obligations	332,767	5,550	338,317
Principal payments and debt retirements	(7,250)	(15,525)	(22,775)
Amortization of bond premium	(3,922)		(3,922)
Long-term debt and financing obligations at June 30, 2020	**1,061,498**	**48,005**	**1,109,503**
Less: Current portion	(8,586)	(13,013)	(21,599)
Noncurrent portion of long-term debt and financing obligations at June 30, 2020	**$1,052,912**	**$34,992**	**$1,087,904**
Year ended June 30, 2019			
Long-term debt and financing obligations at June 30, 2018	$750,878	$67,413	$818,291
New obligations		6,482	6,482
Principal payments and debt retirements	(6,940)	(15,915)	(22,855)
Amortization of bond premium	(4,035)		(4,035)
Long-term debt and financing obligations at June 30, 2019	**739,903**	**57,980**	**797,883**
Less: Current portion	(11,171)	(15,524)	(26,695)
Noncurrent portion of long-term debt and financing obligations at June 30, 2019	**$728,732**	**$42,456**	**$771,188**

(in thousands of dollars)

SAN FRANCISCO	REVENUE BONDS
Year ended June 30, 2020	
Long-term debt and financing obligations at June 30, 2019	$922,666
New obligations	401,664
Principal payments and debt retirements	(4,865)
Amortization of bond premium	(705)
Long-term debt and financing obligations at June 30, 2020	**1,318,760**
Less: Current portion	(19,755)
Noncurrent portion of long-term debt and financing obligations at June 30, 2020	**$1,299,005**
Year ended June 30, 2019	
Long-term debt and financing obligations at June 30, 2018	$927,726
Principal payments and debt retirements	(4,355)
Amortization of bond premium	(705)
Long-term debt and financing obligations at June 30, 2019	**922,666**
Less: Current portion	(5,570)
Noncurrent portion of long-term debt and financing obligations at June 30, 2019	**$917,096**

(in thousands of dollars)

TOTAL	REVENUE BONDS	FINANCING OBLIGATIONS	OTHER BORROWINGS	TOTAL
Year ended June 30, 2020				
Long-term debt and financing obligations at June 30, 2019	$3,091,683	$143,602	$71,441	$3,306,726
New obligations	1,949,210	18,094	75,957	2,043,261
Refinancing or prepayment of outstanding debt	(149,025)		(68,905)	(217,930)
Principal payments and debt retirements	(50,565)	(27,124)		(77,689)
Amortization of bond premium	(11,822)		(3,288)	(15,110)
Long-term debt and financing obligations at June 30, 2020	**4,829,481**	**134,572**	**75,205**	**5,039,258**
Less: Current portion	(73,184)	(24,945)	(3,008)	(101,137)
Noncurrent portion of long-term debt and financing obligations at June 30, 2020	**$4,756,297**	**$109,627**	**$72,197**	**$4,938,121**
Year ended June 30, 2019				
Long-term debt and financing obligations at June 30, 2018	$3,147,131	$162,255	$75,244	$3,384,630
New obligations		6,482		6,482
Principal payments and debt retirements	(43,285)	(25,135)		(68,420)
Amortization of bond premium	(12,163)		(3,803)	(15,966)
Long-term debt and financing obligations at June 30, 2019	**3,091,683**	**143,602**	**71,441**	**3,306,726**
Less: Current portion	(62,385)	(24,840)	(3,803)	(91,028)
Noncurrent portion of long-term debt and financing obligations at June 30, 2019	**$3,029,298**	**$118,762**	**$67,638**	**$3,215,698**

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

The Medical Center Pooled Revenue Bonds were distributed across the Medical Centers as follows:

(in thousands of dollars)

	TAXABLE	VARIABLE	TOTAL
Davis	$373,701		$373,701
Irvine	233,970		233,970
Los Angeles	457,898	$149,210	607,108
San Diego	332,767		332,767
San Francisco	401,664		401,664
Total	**$1,800,000**	**$149,210**	**$1,949,210**

The Medical Centers' Pooled Revenue Bonds are issued to finance capital projects and other needs at the University's Medical Centers and are collateralized by joint and several pledges of certain operating and nonoperating revenues, as defined in the indentures, of all five of the University's Medical Centers. The Medical Center Pooled Revenue Bond Indenture requires the Medical Centers to set rates, charges and fees each year sufficient for the Medical Centers' total operating and nonoperating revenues to pay for the annual principal and interest on the bonds and sets forth certain other covenants. Pledged revenues for the Medical Centers for the years ended June 30, 2020 and 2019 were $14.4 billion and $13.4 billion, respectively.

The Medical Center Pooled Revenue Bonds 2007 Series B, 2013 Series K and 2020 Series O totaling $56.8 million, $31.3 million, and $149.2 million at June 30, 2020, respectively, are variable-rate demand obligations subject to daily remarketing. The UCLA and UCSF Medical Centers have access to the hospital working capital program from the University described below for any amounts that would be obligated for repayment to the University.

The Medical Centers' revenues are not pledged for any other purpose than under the indentures for the Medical Center Pooled Revenue Bonds. The pledge of the Medical Centers' revenues under the Medical Center Pooled Revenue Bonds is on parity with interest rate swap agreements.

The University has an internal working capital program that allows each Medical Center to receive internal advances. Advances may not exceed 60 percent of a Medical Center's accounts receivable for any working capital needs. Interest on any such advance is based upon the earnings rate on the STIP. Repayment of advances made to the Medical Centers under the working capital program is not collateralized by a pledge of revenues. Currently, there are no advances to the Medical Centers. The University may cancel or change the terms of the working capital program at its sole discretion. However, the University has historically provided working capital advances under formal or informal programs for the Medical Centers.

As of June 30, 2020, CHRCO had no amount outstanding under its revolving credit facility for $25.0 million. The interest rate on the credit facility is 1.3 percent as of June 30, 2020 and the facility expires on August 31, 2022.

Future Debt Service and Interest Rate Swaps

Future debt service payments for the Medical Centers' fixed- and variable-rate debt for each of the five fiscal years subsequent to June 30, 2020, and thereafter, are shown below. Although not a prediction by the Medical Centers of the future interest rate cost of the variable-rate bonds or the impact of the interest rate swaps, these amounts assume that current interest rates on variable-rate bonds and the current reference rates of the interest rate swaps will remain the same. As these rates vary, variable-rate bond interest payments and net interest rate swap payments will change.

(in thousands of dollars)

DAVIS	REVENUE BONDS	FINANCING OBLIGATIONS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year ending June 30					
2021	$42,480	$2,505	$44,985	$20,532	$24,453
2022	42,077	2,505	44,582	20,989	23,593
2023	41,614	2,513	44,127	21,416	22,711
2024	40,058	1,549	41,607	19,802	21,805
2025	39,598	1,125	40,723	19,773	20,950
2026 - 2030	150,066	885	150,951	55,819	95,132
2031 - 2035	120,571		120,571	32,515	88,056
2036 - 2040	120,627		120,627	40,460	80,167
2041 - 2045	119,412		119,412	49,055	70,357
2046 - 2050	209,881		209,881	148,508	61,373
2051 - 2120	457,787		457,787	238,753	219,034
Total future debt service	**1,384,171**	**11,082**	**1,395,253**	**$667,622**	**$727,631**
Less: Interest component of future payments	(726,810)	(821)	(727,631)		
Principal portion of future payments	657,361	10,261	667,622		
Adjusted by:					
Unamortized bond premium	37,159		37,159		
Total debt	**$694,520**	**$10,261**	**$704,781**		

(in thousands of dollars)

IRVINE	REVENUE BONDS	PRINCIPAL	INTEREST
Year ending June 30			
2021	$28,984	$4,620	$24,364
2022	28,957	4,790	24,167
2023	28,958	5,000	23,958
2024	28,931	5,205	23,726
2025	28,918	5,440	23,478
2026 - 2030	151,879	38,690	113,189
2031 - 2035	153,039	50,050	102,989
2036 - 2040	150,224	62,105	88,119
2041 - 2045	146,086	77,055	69,031
2046 - 2050	188,647	142,389	46,258
2051 - 2120	286,616	149,481	137,135
Total future debt service	**1,221,239**	**$544,825**	**$676,414**
Less: Interest component of future payments	(676,414)		
Principal portion of future payments	544,825		
Adjusted by:			
Unamortized bond premium	18,817		
Total debt	**$563,642**		

(in thousands of dollars)

LOS ANGELES	REVENUE BONDS	FINANCING OBLIGATIONS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year ending June 30					
2021	$62,228	$13,867	$76,095	$24,805	$51,290
2022	61,889	4,052	65,941	15,498	50,443
2023	61,965	4,214	66,179	16,448	49,731
2024	61,029	4,383	65,412	16,460	48,952
2025	60,992	4,558	65,550	17,356	48,194
2026 - 2030	299,708	25,675	325,383	97,132	228,251
2031 - 2035	298,592	31,237	329,829	128,080	201,749
2036 - 2040	297,778	38,005	335,783	169,683	166,100
2041 - 2045	295,123	14,081	309,204	187,375	121,829
2046 - 2050	341,629		341,629	258,137	83,492
2051 - 2120	560,929		560,929	292,545	268,384
Total future debt service	**2,401,862**	**140,072**	**2,541,934**	**$1,223,519**	**$1,318,415**
Less: Interest component of future payments	(1,254,649)	(63,766)	(1,318,415)		
Principal portion of future payments	1,147,213	76,306	1,223,519		
Adjusted by:					
Unamortized bond premium	43,848		43,848		
Other borrowings	75,205		75,205		
Total debt	**$1,266,266**	**$76,306**	**$1,342,572**		

(in thousands of dollars)

SAN DIEGO	REVENUE BONDS	FINANCING OBLIGATIONS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year ending June 30					
2021	$51,180	$14,285	$65,465	$18,115	$47,350
2022	51,170	8,288	59,458	12,579	46,879
2023	51,168	6,745	57,913	11,460	46,453
2024	60,148	5,019	65,167	19,138	46,029
2025	60,445	4,000	64,445	19,261	45,184
2026 - 2030	301,525	12,639	314,164	103,068	211,096
2031 - 2035	298,805	3,561	302,366	119,386	182,980
2036 - 2040	298,339		298,339	147,325	151,014
2041 - 2045	287,945		287,945	180,095	107,850
2046 - 2050	288,827		288,827	224,530	64,297
2051 - 2120	407,643		407,643	212,600	195,043
Total future debt service	**2,157,195**	**54,537**	**2,211,732**	**$1,067,557**	**$1,144,175**
Less: Interest component of future payments	(1,137,643)	(6,532)	(1,144,175)		
Principal portion of future payments	1,019,552	48,005	1,067,557		
Adjusted by:					
Unamortized bond premium	41,946		41,946		
Total debt	**$1,061,498**	**$48,005**	**$1,109,503**		

(in thousands of dollars)

SAN FRANCISCO	REVENUE BONDS	PRINCIPAL	INTEREST
Year ending June 30			
2021	$85,309	$19,050	$66,259
2022	85,074	19,695	65,379
2023	84,834	20,395	64,439
2024	84,558	21,115	63,443
2025	84,128	21,765	62,363
2026 - 2030	415,366	122,380	292,986
2031 - 2035	401,457	146,200	255,257
2036 - 2040	385,124	177,165	207,959
2041 - 2045	367,456	218,240	149,216
2046 - 2050	362,693	280,421	82,272
2051 - 2120	492,042	256,618	235,424
Total future debt service	**2,848,041**	**$1,303,044**	**$1,544,997**
Less: Interest component of future payments	(1,544,997)		
Principal portion of future payments	1,303,044		
Adjusted by:			
Unamortized bond premium	15,716		
Total debt	**$1,318,760**		

(in thousands of dollars)

TOTAL	REVENUE BONDS	FINANCING OBLIGATIONS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year ending June 30					
2021	$270,181	$30,657	$300,838	$87,122	$213,716
2022	269,167	14,845	284,012	73,551	210,461
2023	268,539	13,472	282,011	74,719	207,292
2024	274,724	10,951	285,675	81,720	203,955
2025	274,081	9,683	283,764	83,595	200,169
2026 - 2030	1,318,544	39,199	1,357,743	417,089	940,654
2031 - 2035	1,272,464	34,798	1,307,262	476,231	831,031
2036 - 2040	1,252,092	38,005	1,290,097	596,738	693,359
2041 - 2045	1,216,022	14,081	1,230,103	711,820	518,283
2046 - 2050	1,391,677		1,391,677	1,053,985	337,692
2051 - 2120	2,205,017		2,205,017	1,149,997	1,055,020
Total future debt service	**10,012,508**	**205,691**	**10,218,199**	**$4,806,567**	**$5,411,632**
Less: Interest component of future payments	(5,340,513)	(71,119)	(5,411,632)		
Principal portion of future payments	4,671,995	134,572	4,806,567		
Adjusted by:					
Unamortized bond premium	157,486		157,486		
Other borrowings	75,205		75,205		
Total debt	**$4,904,686**	**$134,572**	**$5,039,258**		

Additional information on the revenue bonds can be obtained from the 2019-2020 annual report of the University of California.

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

(in thousands of dollars)

LOS ANGELES	VARIABLE-RATE BOND		INTEREST RATE SWAP, NET	TOTAL
	PRINCIPAL	INTEREST		
Year ending June 30				
2021		$128	$6,492	$6,620
2022		132	6,489	6,621
2023	$3,365	133	6,483	9,981
2024	3,525	131	6,349	10,005
2025	3,675	127	6,238	10,040
2026 - 2030	21,080	597	28,998	50,675
2031 - 2035	26,395	516	24,732	51,643
2036 - 2040	37,090	415	19,287	56,792
2041 - 2045	60,965	242	9,912	71,119
2046 - 2047	24,415	34	1,104	25,553
Total future debt service	**$180,510**	**$2,455**	**$116,084**	**$299,049**

(in thousands of dollars)

SAN FRANCISCO	VARIABLE-RATE BOND		INTEREST RATE SWAP, NET	TOTAL
	PRINCIPAL	INTEREST		
Year ending June 30				
2021	$3,860	$38	$1,682	$5,580
2022	3,995	37	1,567	5,599
2023	4,145	34	1,447	5,626
2024	4,290	31	1,330	5,651
2025	4,450	28	1,193	5,671
2026 - 2030	24,800	92	3,896	28,788
2031 - 2032	11,220	12	487	11,719
Total future debt service	**$56,760**	**$272**	**$11,602**	**$68,634**

(in thousands of dollars)

TOTAL	VARIABLE-RATE BOND		INTEREST RATE SWAP, NET	TOTAL
	PRINCIPAL	INTEREST		
Year ending June 30				
2021	$3,860	$166	$8,174	$12,200
2022	3,995	169	8,056	12,220
2023	7,510	167	7,930	15,607
2024	7,815	162	7,679	15,656
2025	8,125	155	7,431	15,711
2026 - 2030	45,880	689	32,894	79,463
2031 - 2035	37,615	528	25,219	63,362
2036 - 2040	37,090	415	19,287	56,792
2041 - 2045	60,965	242	9,912	71,119
2046 - 2047	24,415	34	1,104	25,553
Total future debt service	**$237,270**	**$2,727**	**$127,686**	**$367,683**

11. OPERATING LEASES

The Medical Centers lease certain buildings and equipment under agreements recorded as operating leases. The terms of the operating leases extend through the year 2042. Operating lease expense for the years ended June 30 are as follows:

(in thousands of dollars)

	2020	2019
Davis	$23,685	$20,603
Irvine	10,013	7,919
Los Angeles	15,059	14,604
San Diego	36,100	30,300
San Francisco	65,812	58,857
Total	**$150,669**	**$132,283**

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

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Year ending June 30						
2021	$27,439	$9,329	$17,378	$36,982	$43,468	$134,596
2022	24,215	8,617	16,228	21,451	33,508	104,019
2023	20,418	8,485	12,501	14,151	24,888	80,443
2024	14,988	5,801	9,419	9,454	21,165	60,827
2025	12,469	2,974	7,071	5,889	19,214	47,617
2026 – 2042	51,191	6,758	19,791	6,661	70,007	154,408
Total	**$150,720**	**$41,964**	**$82,388**	**$94,588**	**$212,250**	**$581,910**

12. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2020						
DEFERRED OUTFLOWS OF RESOURCES						
Net pension liability	$457,268	$217,522	$477,978	$390,711	$821,340	$2,364,819
Net retiree health benefits liability	476,867	232,409	529,460	504,946	1,048,471	2,792,153
Debt refunding	8,056			23,953	478	32,487
Interest rate swap agreements			94,839		10,708	105,547
Asset retirement obligations	17,296			22,107	9,960	49,363
Acquisitions					6,354	6,354
Total	**$959,487**	**$449,931**	**$1,102,277**	**$941,717**	**$1,897,311**	**$5,350,723**
DEFERRED INFLOWS OF RESOURCES						
Net pension liability	$21,922	$20,876	$39,562	$11,839	$29,669	$123,868
Net retiree health benefits liability	416,542	216,346	535,391	315,623	651,696	2,135,598
Debt refunding			1,292			1,292
Irrevocable split-interest agreements					17,608	17,608
Total	**$438,464**	**$237,222**	**$576,245**	**$327,462**	**$698,973**	**$2,278,366**

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019						
DEFERRED OUTFLOWS OF RESOURCES						
Net pension liability	$435,934	$196,707	$465,376	$354,038	$695,563	$2,147,618
Net retiree health benefits liability	270,190	115,406	328,395	297,257	647,998	1,659,246
Debt refunding	8,415			26,106	553	35,074
Interest rate swap agreements			65,166		8,320	73,486
Asset retirement obligations	31,882			24,134		56,016
Total	**$746,421**	**$312,113**	**$858,937**	**$701,535**	**$1,352,434**	**$3,971,440**
DEFERRED INFLOWS OF RESOURCES						
Net pension liability	$17,748	$22,662	$27,002	$5,831	$20,398	$93,641
Net retiree health benefits liability	391,069	203,771	519,022	278,510	581,048	1,973,420
Debt refunding			1,340			1,340
Irrevocable split-interest agreements					15,950	15,950
Total	**$408,817**	**$226,433**	**$547,364**	**$284,341**	**$617,396**	**$2,084,351**

13. RETIREMENT PLANS

University of California Retirement Plan

Substantially all full-time employees of the Medical Centers participate in the University of California Retirement System (UCRS) that is administered by the University. UCRS consists of The University of California Retirement Plan (UCRP), a single-employer defined benefit pension plan, and the University of California Retirement Savings Program (UCRSP) that includes four defined contribution pension plans with several investment portfolios generally funded with employee non-elective and elective contributions. The Regents has the authority to establish and amend the UCRS plans. Additional information on the retirement plans can be obtained from the 2019-2020 annual reports of the University of California Retirement System by writing to the University of California, Office of the President, Human Resources and Benefits, Post Office Box 24570, Oakland, California 94623.

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

Contributions

Contributions to the UCRP may be made by the Medical Centers and the employees. The rates for contributions as a percentage of payroll are determined annually pursuant to The Regents' funding policy and based upon recommendations of the consulting actuary. The Regents determine the portion of the total contribution to be made by the Medical Centers and by the employees. Employee contributions by represented employees are subject to collective bargaining agreements. Employee contributions range from 7.0 percent to 9.0 percent. The University pays a uniform contribution rate of 14.0 percent of covered payroll on behalf of all UCRP members. The University contribution rate will be increased starting July 1, 2020 by 0.5 percent per year, on July 1st, for six years to 17.0 percent.

Employee contributions to UCRP are accounted for separately and currently accrue interest at 6.0 percent annually. Upon termination, members may elect a refund of their contributions plus accumulated interest; vested terminated members who are eligible to retire may also elect monthly retirement income or, if they are a member of certain tiers, a lump sum equal to the present value of their accrued benefits.

Contributions during the years ended June 30 are as follows:

(in thousands of dollars)

	2020			2019		
	MEDICAL CENTER	EMPLOYEE	TOTAL	MEDICAL CENTER	EMPLOYEE	TOTAL
Davis	$121,271	$68,249	$189,520	$112,545	$63,619	$176,164
Irvine	56,062	31,062	87,124	50,761	28,365	79,126
Los Angeles	128,640	70,675	199,315	121,724	67,351	189,075
San Diego	92,929	51,838	144,767	82,496	46,266	128,762
San Francisco	179,229	101,150	280,379	160,627	91,376	252,003
Total	**$578,131**	**$322,974**	**$901,105**	**$528,153**	**$296,977**	**$825,130**

Additional deposits were made by the University to UCRP of $500.0 million for each of the fiscal years ended June 30, 2020 and 2019. The Medical Centers reported pension expense and an increase in the pension payable to the University for its portion of these additional deposits based upon their proportionate share of covered compensation for the year ended June 30 is as follows:

(in thousands of dollars)

	2020	2019
Davis	$33,568	$33,434
Irvine	15,518	15,079
Los Angeles	35,608	36,160
San Diego	25,723	24,507
San Francisco	49,611	47,717
Total	**$160,028**	**$156,897**

Net Pension Liability

The Medical Centers' proportionate share of the net pension liability for UCRP as of June 30 is as follows:

(in thousands of dollars)

	2020		2019	
	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Davis	6.7%	$1,368,556	6.7%	$1,151,862
Irvine	3.1	632,665	3.0	519,523
Los Angeles	7.1	1,451,711	7.2	1,245,807
San Diego	5.1	1,048,715	4.9	844,319
San Francisco	9.9	2,022,619	9.6	1,643,970
Total	**31.9%**	**$6,524,266**	**31.4%**	**$5,405,481**

The Medical Centers' net pension liability was measured as of June 30 and calculated using the plan net position valued as of the measurement date and total pension liability determined based upon rolling forward the total pension liability from the results of the actuarial valuations as of July 1, 2019 and 2018, respectively. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of certain events occurring far into the future. Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used as of June 30, 2020 and 2019 were based upon the results of an experience study conducted for the period July 1, 2014 through June 30, 2018. The Medical Centers' net pension liability was calculated using the following methods and assumptions:

(shown as percentage)

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

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

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

(shown as percentage)

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

Discount Rate

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

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

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

(in thousands of dollars)

	1% DECREASE (5.75%)	CURRENT DISCOUNT (6.75%)	1% INCREASE (7.75%)
Davis	$2,136,123	$1,368,556	$736,999
Irvine	987,501	632,665	340,705
Los Angeles	2,265,917	1,451,711	781,780
San Diego	1,636,897	1,048,715	564,757
San Francisco	3,157,024	2,022,619	1,089,227
Total	**$10,183,462**	**$6,524,266**	**$3,513,468**

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources for pensions are related to the following sources as of the years ending June 30:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2020						
DEFERRED OUTFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$15,237	$11,568	$9,089	$51,986	$80,970	$168,850
Changes of assumptions or other inputs	281,070	129,935	298,148	215,382	415,399	1,339,934
Net difference between projected and actual earnings on pension plan investments	140,178	64,802	148,693	107,416	207,169	668,258
Difference between expected and actual experience	20,783	9,609	22,048	15,927	30,718	99,085
Total	**$457,268**	**$215,914**	**$477,978**	**$390,711**	**$734,256**	**$2,276,127**
DEFERRED INFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$6,474	$11,143	$23,173			$40,790
Difference between expected and actual experience	15,448	7,142	16,389	$11,839	$22,834	73,652
Total	**$21,922**	**$18,285**	**$39,562**	**$11,839**	**$22,834**	**$114,442**
2019						
DEFERRED OUTFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$18,100	$5,236	$13,466	$47,765	$78,965	$163,532
Changes of assumptions or other inputs	387,622	174,829	419,235	284,128	553,224	1,819,038
Difference between expected and actual experience	30,212	13,626	32,675	22,145	43,118	141,776
Total	**$435,934**	**$193,691**	**$465,376**	**$354,038**	**$675,307**	**$2,124,346**
DEFERRED INFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$9,793	$17,061	$18,397			$45,251
Net difference between projected and actual earnings on pension plan investments	7,446	3,359	8,054	$5,458	$10,628	34,945
Difference between expected and actual experience	509	230	551	373	727	2,390
Total	**$17,748**	**$20,650**	**$27,002**	**$5,831**	**$11,355**	**$82,586**

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

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2021	$110,149	$47,492	$109,003	$102,318	$190,190	$559,152
2022	151,749	67,591	154,181	130,597	243,952	748,070
2023	134,770	63,205	137,380	111,823	213,093	660,271
2024	38,678	19,341	37,852	34,134	64,187	194,192
Total	**$435,346**	**$197,629**	**$438,416**	**$378,872**	**$711,422**	**$2,161,685**

The University of California Retirement Savings Program (UCRSP) plans (Defined Contribution (DC) Plan, Supplemental DC Plan, 403(b) Plan and 457(b) Plan) provide savings incentives and additional retirement security for all eligible employees. The DC Plan accepts both pretax and after-tax employee contributions. The Supplemental DC Plan accepts employer contributions on behalf of certain qualifying employees. The 403(b) and 457(b) Plans accept pretax employee contributions and the Medical Centers may also make contributions on behalf of certain members of management. Benefits from the UCRSP plans are based on participants' mandatory and voluntary contributions, plus earnings, and are immediately vested.

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

Orange County Employees Retirement System

Orange County Employees Retirement System (OCERS) administers a cost-sharing multiemployer governmental defined benefit pension plan for the county of Orange, city of San Juan Capistrano and 13 special districts. Certain employees of the University of California, Irvine Medical Center were eligible to continue to participate in OCERS at the time the hospital was acquired.

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

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

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

Contributions

Contribution rates for OCERS are set by the Board of Retirement.

Net Pension Liability

The Irvine Medical Center's proportionate share of the net pension liability was $15.1 million and $17.4 million as of June 30, 2020 and 2019, respectively. Irvine Medical Center's net pension liability for OCERS was measured as of June 30, 2020 and 2019, and the total pension liability was determined by an actuarial valuation as of December 31, 2019 and 2018 rolled forward to June 30, 2020 and 2019, respectively. The actuarial assumptions used in 2020 and 2019 were based on the results of an experience study for the period from January 1, 2014 through December 31, 2016. The net pension liability for the Plan was calculated based upon the following assumptions as of June 30, 2020 and 2019: 2.8 percent inflation, 7.0 percent investment rate of return, 4.25-12.25 percent projected salary increases for general members and 3.0 percent cost-of-living adjustments.

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

(shown as percentage)

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

Discount Rate

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

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

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

(in thousands of dollars)

	1% DECREASE (6.0%)	CURRENT DISCOUNT (7.0%)	1% INCREASE (8.0%)
Net pension liability	$22,793	$15,107	$8,855

Deferred Outflows of Resources and Deferred Inflows of Resources

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

(in thousands of dollars)

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

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

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

Children's Hospital and Research Center Oakland Pension Plan

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

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

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

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

Condensed financial information for the CHRCO Pension Plan as of and for the years ended June 30, 2020 and 2019 is as follows:

(in thousands of dollars)

	CHILDREN'S HOSPITAL & RESEARCH CENTER OAKLAND PENSION PLAN	
	2020	**2019**
CONDENSED STATEMENT OF PLAN FIDUCIARY NET POSITION		
Investments at fair value	$501,482	$501,110
Total assets	**501,482**	**501,110**
Other liabilities		2,500
Total liabilities		2,500
Net position held in trust	**$501,482**	**$498,610**
CONDENSED STATEMENT OF CHANGES IN PLAN FIDUCIARY NET POSITION		
Contributions	$31,200	$31,200
Investment and other income, net	(7,468)	25,203
Total additions	**23,732**	**56,403**
Benefit payment and participant withdrawals	17,262	15,143
Plan expense	3,598	2,711
Total deductions	**20,860**	**17,854**
Increase in net position held in trust	**2,872**	**38,549**
Net position held in trust		
Beginning of year	498,610	460,061
End of year	**$501,482**	**$498,610**
CHANGES IN TOTAL PENSION LIABILITY		
Service cost	$12,648	$11,430
Interest	36,005	34,165
Difference between expected and actual experience	23,581	5,214
Changes of assumptions and other inputs	28,609	(9,540)
Benefits paid, including refunds of employee contributions	(17,262)	(15,143)
Net change in total pension liability	**83,581**	**26,126**
Total pension liability		
Beginning of year	510,335	484,209
End of year	**593,916**	**510,335**
Net pension liability, end of year	**$92,434**	**$11,725**

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

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

Contributions

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

Net Pension Liability

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

(shown as percentage)

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

Discount Rate

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

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability calculated using the June 30, 2020 discount rate assumption of 6.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)

	1% DECREASE (5.5%)	CURRENT DISCOUNT (6.5%)	1% INCREASE (7.5%)
Net pension liability	$176,527	$92,434	$23,163

Deferred Outflows of Resources and Deferred Inflows of Resources

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

(in thousands of dollars)

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

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

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

14. RETIREE HEALTH PLANS

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees (and their eligible family members) of the University of California and its affiliates through UCRHBT. The Regents has the authority to establish and amend the plan. While retiree health benefits are not a legal obligation of the University and can be canceled or modified at any time, accounting standards require the University to recognize a net retiree health liability based on the current practices of providing retiree health benefits. Additional information on the retiree health plans can be obtained from the 2019-2020 annual reports of the University of California.

The contribution requirements of the eligible retirees and the participating University locations, such as the Medical Centers, are established and may be amended by the University. Membership in a defined benefit plan to which the University contributes or participation in the DC Plan as a result of a Savings Choice election is required to become eligible for retiree health benefits. Contributions toward benefits are shared with the retiree. The University determines the employer's contribution. Retirees are required to pay the difference between the employer's contribution and the full cost of the health insurance. Retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University's contribution based on age and years of service. Retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least five years of service. Retirees employed by the University after 1989 and prior to July 2013 become eligible for a percentage of the University's contribution starting at 50 percent of the maximum University contribution with 10 years of service, increasing to 100 percent after 20 years of service.

Contributions

Campus and Medical Center contributions toward retiree health benefits, at rates determined by the University, are made to UCRHBT. The University receives retiree health contributions from retirees that are deducted from their UCRP benefit payments or are received from the retiree through direct pay. The University 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.

Participating University locations, such as the Medical Centers, are required to contribute at a rate assessed each year by the University. The contribution requirements are based upon projected pay-as-you-go financing requirements. The assessment rates were $2.60 and $2.70 per $100 of UCRP covered payroll effective July 1, 2019 and 2018, respectively.

The Medical Centers' cash contributions for the years ended June 30 are as follows:

(in thousands of dollars)

	2020	2019
Davis	$22,592	$22,032
Irvine	10,506	9,948
Los Angeles	23,906	23,606
San Diego	17,565	16,196
San Francisco	36,267	33,792
Total	**$110,836**	**$105,574**

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. The effect is 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.

The Medical Centers' implicit subsidy contributions for the years ended June 30 are as follows:

(in thousands of dollars)

	2020	2019
Davis	$6,868	$6,539
Irvine	3,191	2,954
Los Angeles	7,268	7,007
San Diego	5,341	4,807
San Francisco	11,023	10,032
Total	**$33,691**	**$31,339**

Net Retiree Health Benefits Liability

The Medical Centers' proportionate share of the net retiree health benefits liability as of June 30 is as follows:

(in thousands of dollars)

	2020		2019	
	PROPORTION OF THE NET RETIREE HEALTH BENEFITS LIABILITY	PROPORTIONATE SHARE OF THE NET RETIREE HEALTH BENEFITS LIABILITY	PROPORTION OF THE NET RETIREE HEALTH BENEFITS LIABILITY	PROPORTIONATE SHARE OF THE NET RETIREE HEALTH BENEFITS LIABILITY
Davis	6.6%	$1,534,830	6.6%	$1,268,189
Irvine	3.1	713,600	3.0	572,706
Los Angeles	7.0	1,623,943	7.1	1,358,829
San Diego	5.2	1,193,191	4.8	932,379
San Francisco	10.6	2,463,690	10.1	1,945,198
Total	**32.5%**	**$7,529,254**	**31.6%**	**$6,077,301**

The Medical Centers' net retiree health benefits liability was measured as of June 30, 2020 and 2019 and calculated using the plan net position valued as of the measurement date and total retiree health benefits liability based upon rolling forward the results of the actuarial valuations as of July 1, 2019 and 2018, respectively. Actuarial valuations represent a long-term perspective and include estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. Significant actuarial methods and assumptions used to calculate the Medical Centers' net retiree health benefits liability are:

(shown as percentage)

	2020	2019
Discount rate	2.21%	3.50%
Inflation	2.5	2.5
Investment rate of return	2.5	2.5
Health care cost trend rates	Initially ranges from 2.7 to 9.0 decreasing to an ultimate rate of 4.0 for 2076 and later years	Initially ranges from 4.4 to 9.4 decreasing to an ultimate rate of 4.0 for 2077 and later years

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

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

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

(in thousands of dollars)

	1% DECREASE (1.7% to 8.0%) DECREASING TO (3.0%)	CURRENT TREND (2.7% to 9.0%) DECREASING TO (4.0%)	1% INCREASE (3.7% to 10.0%) DECREASING TO (5.0%)
Davis	$1,243,551	$1,534,830	$1,928,375
Irvine	578,174	713,600	896,574
Los Angeles	1,315,753	1,623,943	2,040,338
San Diego	966,748	1,193,191	1,499,137
San Francisco	1,996,133	2,463,690	3,095,405
Total	**$6,100,359**	**$7,529,254**	**$9,459,829**

Discount Rate

The discount rate used to estimate the net retiree health benefits liability as of June 30, 2020 and 2019 was 2.21 percent and 3.50 percent, respectively. The discount rate was based on the Bond Buyer 20-Bond General Obligation index since UCHRBT plan assets are not sufficient to make benefit payments.

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

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

(in thousands of dollars)

	1% DECREASE (1.21%)	CURRENT DISCOUNT (2.21%)	1% INCREASE (3.21%)
Davis	$1,860,221	$1,534,830	$1,281,788
Irvine	864,887	713,600	595,951
Los Angeles	1,968,227	1,623,943	1,356,210
San Diego	1,446,153	1,193,191	996,474
San Francisco	2,986,005	2,463,690	2,057,511
Total	**$9,125,493**	**$7,529,254**	**$6,287,934**

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources for retiree health benefits are related to the following sources as of the years ended June 30:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2020						
DEFERRED OUTFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$23,480	$21,613	$49,750	$152,480	$320,702	$568,025
Changes of assumptions or other inputs	449,578	209,025	475,680	349,506	721,656	2,205,445
Net difference between projected and actual earnings on plan investments	209	97	221	162	335	1,024
Difference between expected and actual experience	3,600	1,674	3,809	2,798	5,778	17,659
Total	**$476,867**	**$232,409**	**$529,460**	**$504,946**	**$1,048,471**	**$2,792,153**
DEFERRED INFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$10,549	$27,584	$105,825			$143,958
Changes of assumptions or other inputs	154,986	72,059	163,985	$120,488	$248,782	760,300
Difference between expected and actual experience	251,007	116,703	265,581	195,135	402,914	1,231,340
Total	**$416,542**	**$216,346**	**$535,391**	**$315,623**	**$651,696**	**$2,135,598**

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019						
DEFERRED OUTFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$19,042	$1,989	$59,296	$112,612	$262,776	$455,715
Changes of assumptions or other inputs	246,684	111,401	264,315	181,363	378,374	1,182,137
Net difference between projected and actual earnings on plan investments	212	96	228	156	326	1,018
Difference between expected and actual experience	4,252	1,920	4,556	3,126	6,522	20,376
Total	**$270,190**	**$115,406**	**$328,395**	**$297,257**	**$647,998**	**$1,659,246**
DEFERRED INFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$12,250	$32,699	$113,127			$158,076
Changes of assumptions or other inputs	183,143	82,706	196,233	$134,648	$280,912	877,642
Difference between expected and actual experience	195,676	88,366	209,662	143,862	300,136	937,702
Total	**$391,069**	**$203,771**	**$519,022**	**$278,510**	**$581,048**	**$1,973,420**

The net amount of deferred outflows of resources and deferred inflows of resources related to retiree health benefits that will be recognized in retiree health benefit expense during the years ended June 30 is as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2021	$8,989	$923	($466)	$30,807	$65,955	$106,208
2022	8,962	910	(496)	30,786	65,910	106,072
2023	8,936	898	(523)	30,766	65,869	105,946
2024	1,087	(2,751)	(8,827)	24,664	53,270	67,443
2025	(11,235)	(8,395)	(21,532)	13,842	28,044	724
Thereafter	43,586	24,478	25,913	58,458	117,727	270,162
Total	**$60,325**	**$16,063**	**($5,931)**	**$189,323**	**$396,775**	**$656,555**

15. SELF-INSURANCE

The Medical Centers are insured through the University's and its captive's malpractice, general liability, workers' compensation, and health and welfare programs. All operating departments of the University are charged premiums to finance the workers' compensation and health and welfare programs. The University's Medical Centers are charged premiums to finance the malpractice insurance. All claims and related expenses are paid from the University's self-insurance funds or the University's wholly owned captive insurance company. Such risks are subject to various per claim and aggregate limits, with excess liability coverage provided by independent insurers.

Malpractice and general liability premiums are recorded as insurance and other expense in the statements of revenues, expenses and changes in net position. Workers' compensation premiums, net of refunds, are included as other employee benefits in the statements of revenues, expenses and changes in net position.

CHRCO's liabilities for medical malpractice, workers' compensation and health care claims changed as follows:

(in thousands of dollars)

	MEDICAL MALPRACTICE	WORKERS' COMPENSATION	EMPLOYEE HEALTH CARE	TOTAL
2020				
Liabilities at June 30, 2019	$5,309	$12,101	$1,644	$19,054
Claims incurred and changes in estimates	(354)	2,536	10,641	12,823
Claim payments	594	(2,836)	(10,462)	(12,704)
Liabilities at June 30, 2020	**$5,549**	**$11,801**	**$1,823**	**$19,173**
Discount rate	**Undiscounted**	**5.0%**	**Undiscounted**	
2019				
Liabilities at June 30, 2018	$5,050	$11,678	$1,685	$18,413
Claims incurred and changes in estimates	(204)	3,245	9,998	13,039
Claim payments	463	(2,822)	(10,039)	(12,398)
Liabilities at June 30, 2019	**$5,309**	**$12,101**	**$1,644**	**$19,054**
Discount rate	**Undiscounted**	**5.0%**	**Undiscounted**	
2018				
Liabilities at June 30, 2017	$4,563	$12,221	$1,675	$18,459
Claims incurred and changes in estimates	(1,943)	2,411	10,104	10,572
Claim payments	2,430	(2,954)	(10,094)	(10,618)
Liabilities at June 30, 2018	**$5,050**	**$11,678**	**$1,685**	**$18,413**
Discount rate	**Undiscounted**	**5.0%**	**Undiscounted**	

CHRCO has three irrevocable letters of credit with a bank totaling $13.8 million as of June 30, 2020, which is mostly security for the workers' compensation large dollar insurance deductible. No amounts were drawn on the letter of credit as of June 30, 2020.

16. TRANSACTIONS WITH OTHER UNIVERSITY ENTITIES

Services purchased from the University include office and medical supplies, building maintenance, repairs and maintenance, administrative, treasury, medical services and insurance. Services provided to the University include physician office rentals, pharmaceuticals, billing services, medical supplies and cafeteria services. Such amounts are netted and reported as operating expenses in the statements of revenues, expenses and changes in net position for the years ended June 30 as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2020						
Other employee benefits	$10,410	$7,043	$28,482	$10,240	$4,427	$60,602
Professional services	110,303	6,017	1,664	60,667	777,024	955,675
Other supplies and purchased services	(8,349)	73,376	54,930	9,171	75,907	205,035
Insurance and other	16,219	9,133	20,188	13,443	13,124	72,107
Interest income, net	(18,858)	(9,484)	(29,118)	(6,365)	(15,918)	(79,743)
Total	**$109,725**	**$86,085**	**$76,146**	**$87,156**	**$854,564**	**$1,213,676**
2019						
Other employee benefits	$12,574	($19,167)	$26,376	($1,927)	$16,750	$34,606
Professional services	94,634	5,871	2,237	67,010	678,724	848,476
Other supplies and purchased services	(9,716)	52,743	79,033	3,804	44,147	170,011
Insurance and other	16,584	8,132	18,554	11,957	12,261	67,488
Interest income, net	(19,774)	(9,059)	(30,449)	(7,506)	(23,262)	(90,050)
Total	**$94,302**	**$38,520**	**$95,751**	**$73,338**	**$728,620**	**$1,030,531**

Additionally, the Medical Centers make payments to the Schools of Medicine. Services purchased from the Schools of Medicine include physician services that benefit the Medical Centers, such as emergency room coverage, physicians providing medical direction to the Medical Centers and the Medical Centers' allocation of malpractice insurance. Such expenses are reported as operating expenses in the statements of revenue, expenses and changes in net position. Health system support includes amounts paid to the Schools of Medicine by the Medical Centers to fund the operating activities, clinical research and faculty practice plans, as well as other payments made to support various programs.

The payments made by the Medical Centers for the years ended June 30 are as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2020						
Reported as operating expenses	$109,725	$86,085	$76,146	$87,156	$854,564	$1,213,676
Reported as health system support	7,824	126,806	282,396	330,230	121,192	868,448
Total payments to the University	**$117,549**	**$212,891**	**$358,542**	**$417,386**	**$975,756**	**$2,082,124**
2019						
Reported as operating expenses	$94,302	$38,520	$95,751	$73,338	$728,620	$1,030,531
Reported as health system support	29,033	85,051	218,228	127,684	146,232	606,228
Total payments to the University	**$123,335**	**$123,571**	**$313,979**	**$201,022**	**$874,852**	**$1,636,759**

17. COMPONENT UNIT INFORMATION

Condensed financial statement information related to CHRCO for the years ended June 30 is as follows:

(in thousands of dollars)

	2020	2019
CONDENSED STATEMENT OF NET POSITION		
Current assets	$317,765	$328,387
Capital assets, net	364,001	330,502
Other assets	301,211	296,882
Total assets	**982,977**	**955,771**
Total deferred outflows of resources	**87,084**	**20,256**
Current liabilities	213,682	197,066
Long-term debt	101,443	101,980
Other noncurrent liabilities	122,169	41,911
Total liabilities	**437,294**	**340,957**
Total deferred inflows of resources	**24,443**	**24,994**
Net investment in capital assets	262,021	227,984
Restricted	87,359	83,004
Unrestricted	258,944	299,088
Total net position	**$608,324**	**$610,076**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Net patient service revenue	$570,526	$586,930
Grants and contracts	35,805	43,134
Other operating revenue	20,048	23,611
Operating expenses	(633,605)	(619,035)
Depreciation expense	(41,049)	(35,887)
Operating loss	**(48,275)**	**(1,247)**
Nonoperating revenues, net	38,202	44,063
Income (loss) before other changes in net position	**(10,073)**	**42,816**
Other, including donated assets	8,321	4,730
Increase (decrease) in net position	**(1,752)**	**47,546**
Net position - beginning of year	610,076	562,530
Net position - end of year	**$608,324**	**$610,076**
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	$22,448	$48,781
Noncapital financing activities	34,548	31,735
Capital and related financing activities	(70,438)	(48,572)
Investing activities	1,411	(12,945)
Net change in cash and cash equivalents	**(12,031)**	**18,999**
Cash and cash equivalents – beginning of year	160,547	141,548
Cash and cash equivalents – end of year	**$148,516**	**$160,547**

18. COMMITMENTS AND CONTINGENCIES

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations is subject to periodic governmental review, interpretation and audits, as well as regulatory actions unknown and unasserted at this time.

The Medical Centers are contingently liable in connection with certain claims and contracts, including those currently in litigation, arising out of the normal course of its activities. Management and General Counsel are of the opinion that the outcome of such matters will not have a material effect on the Medical Centers' financial position.

The Medical Centers have entered into various construction contracts. The remaining costs of the Medical Center projects, excluding interest, as of June 30, 2020 are estimated to be approximately:

(in thousands of dollars)	
Davis	$94,427
Irvine	165,945
Los Angeles	27,928
San Diego	7,785
San Francisco	114,869
Total	**$410,954**

Under an agreement with a private, nonprofit hospital, UCSF Medical Center committed to provide $90.0 million in aggregate capital investments through a series of newly formed joint ventures with the hospital over the course of the initial 10 years of the agreement. As of June 30, 2020, UCSF Medical Center deposited $30.0 million to a designated bank account for this purpose with the amount reported as prepaid expenses and other assets. An additional service agreement was signed for UCSF Medical Center to operate certain outpatient clinics whose sole corporate member is the same nonprofit hospital.

19. Risks and Uncertainties

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally, in the United States and in California, including cities and counties throughout the state. On March 4, 2020, the Governor declared a state of emergency to help the state prepare and respond to COVID-19. The governor also requested California hospitals to increase their supply of inpatient beds for an expected surge in COVID-19 patients by postponing elective surgeries and discontinuing non-urgent care. Expenses increased at the Medical Centers as a result of operational changes to diagnose, isolate and treat COVID-19 patients. Starting in April certain elective surgeries and non-urgent care were permitted and volumes at the Medical Centers are growing slowly and will continue to recover into 2021. The financial results of the Medical Centers may be impacted in 2021 and potentially beyond by COVID-19.

20. Subsequent Event

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

Required Supplementary Information *(Unaudited)*

UCRP

The individual schedule of the Medical Centers' proportionate share of UCRP's net pension liability is presented below:

(in thousands of dollars)

AS OF JUNE 30	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	COVERED PAYROLL	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY
DAVIS					
2020	6.7%	$1,368,556	$854,960	160.1%	76.6%
2019	6.7	1,151,862	793,442	145.2	79.5
2018	6.8	643,552	791,832	81.3	79.5
2017	6.7	675,141	732,307	92.2	86.5
2016	6.6	895,967	682,784	131.2	85.3
2015	6.5	627,561	635,120	98.8	71.2
2014	6.6	468,810	603,824	77.6	83.8
2013	6.5	690,989	563,695	122.6	87.2
2012	6.3	880,516	522,988	168.4	78.6
IRVINE					
2020	3.1%	$632,665	$395,237	160.1%	76.6%
2019	3.0	519,523	357,866	145.2	79.5
2018	3.0	279,015	343,303	81.3	79.5
2017	3.2	321,946	349,207	92.2	86.5
2016	3.2	438,524	334,184	131.2	85.3
2015	3.2	308,211	311,924	98.8	71.2
2014	3.3	235,813	303,726	77.6	83.8
2013	3.3	345,341	281,722	122.6	87.2
2012	3.3	466,849	277,288	168.4	78.6
LOS ANGELES					
2020	7.1%	$1,451,711	$906,908	160.1%	76.6%
2019	7.2	1,245,807	858,155	145.2	79.5
2018	7.5	706,286	869,020	81.3	79.5
2017	7.3	741,290	804,058	92.2	86.5
2016	7.3	990,520	754,840	131.2	85.3
2015	7.2	697,260	705,659	98.8	71.2
2014	7.3	513,936	661,946	77.6	83.8
2013	7.0	739,451	603,229	122.6	87.2
2012	6.6	928,298	551,368	168.4	78.6
SAN DIEGO					
2020	5.1%	$1,048,715	$655,150	160.1%	76.6%
2019	4.9	844,319	581,596	145.2	79.5
2018	4.9	460,577	566,698	81.3	79.5
2017	4.5	459,781	498,712	92.2	86.5
2016	4.1	564,996	430,563	131.2	85.3
2015	4.0	385,387	390,029	98.8	71.2
2014	3.9	271,458	349,636	77.6	83.8
2013	3.8	405,012	330,401	122.6	87.2
2012	4.2	587,011	348,659	168.4	78.6
SAN FRANCISCO					
2020	9.9%	$2,022,619	$1,263,564	160.1%	76.6%
2019	9.6	1,643,970	1,132,424	145.2	79.5
2018	9.4	886,409	1,090,645	81.3	79.5
2017	9.1	919,943	997,838	92.2	86.5
2016	8.6	1,171,002	892,379	131.2	85.3
2015	8.1	777,948	787,319	98.8	71.2
2014	7.4	523,452	674,202	77.6	83.8
2013	7.8	822,056	670,617	122.6	87.2
2012	7.5	1,044,811	620,572	168.4	78.6

The total schedule of the Medical Centers' proportionate share of UCRP's net pension liability is presented below:

(in thousands of dollars)

AS OF JUNE 30	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	COVERED PAYROLL	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY
TOTAL					
2020	31.9%	$6,524,266	$4,075,819	160.1%	76.6%
2019	31.4	5,405,481	3,723,483	145.2	79.5
2018	31.6	2,975,839	3,661,498	81.3	79.5
2017	30.8	3,118,101	3,382,122	92.2	86.5
2016	29.8	4,061,009	3,094,750	131.2	85.3
2015	29.0	2,796,367	2,830,051	98.8	71.2
2014	28.5	2,013,469	2,593,334	77.6	83.8
2013	28.4	3,002,849	2,449,664	122.6	87.2
2012	27.9	3,907,485	2,320,875	168.4	78.6

CHRCO PENSION PLAN

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

(in thousands of dollars)

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

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

(in thousands of dollars)

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

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

(in thousands of dollars)

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

Notes to schedule

Methods and assumptions used to determine contribution rates:

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

OCERS

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

(in thousands of dollars)

AS OF JUNE 30	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	COVERED PAYROLL	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY
2020	0.3%	$15,107			71.6%
2019	0.3	17,404			67.9
2018	0.3	13,822	$15	92,146.7%	75.1
2017	0.3	18,057	44	41,038.6	69.0
2016	0.3	18,092	285	6,347.5	69.5

RETIREE HEALTH BENEFITS

The schedule of the Medical Centers' proportionate share of UCRHBT's net retiree health benefits liability is presented below:

(in thousands of dollars)

AS OF JUNE 30	PROPORTION OF THE NET RETIREE HEALTH BENEFITS LIABILITY	PROPORTIONATE SHARE OF THE NET RETIREE HEALTH BENEFITS LIABILITY	COVERED PAYROLL	PROPORTIONATE SHARE OF THE NET RETIREE HEALTH BENEFITS LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL RETIREE HEALTH BENEFITS LIABILITY
DAVIS					
2020	6.6%	$1,534,830	$868,923	176.6%	0.7%
2019	6.6	1,268,189	816,000	155.4	0.8
2018	6.6	1,215,567	804,821	151.0	0.7
2017	6.6	1,227,803	735,904	166.8	0.6
2016	6.6	1,385,392	682,784	202.9	0.3
2015	6.5	1,174,370	635,120	184.9	0.3
IRVINE					
2020	3.1%	$713,600	$404,077	176.6%	0.7%
2019	3.0	572,706	368,444	155.4	0.8
2018	3.0	548,548	363,214	151.0	0.7
2017	3.1	574,394	344,334	166.8	0.6
2016	3.2	678,034	334,184	202.9	0.3
2015	3.2	576,719	311,924	184.9	0.3
LOS ANGELES					
2020	7.0%	$1,623,943	$919,462	176.6%	0.7%
2019	7.1	1,358,829	874,296	155.4	0.8
2018	7.7	1,404,685	930,071	151.0	0.7
2017	7.6	1,422,069	852,389	166.8	0.6
2016	7.3	1,531,589	754,840	202.9	0.3
2015	7.2	1,304,836	705,659	184.9	0.3
SAN DIEGO					
2020	5.2%	$1,193,191	$675,577	176.6%	0.7%
2019	4.8	932,379	599,852	155.4	0.8
2018	4.8	867,819	574,571	151.0	0.7
2017	4.5	835,720	500,922	166.8	0.6
2016	4.1	873,597	430,563	202.9	0.3
2015	4.0	721,260	390,029	184.9	0.3
SAN FRANCISCO					
2020	10.6%	$2,463,690	$1,394,885	176.6%	0.7%
2019	10.1	1,945,198	1,251,556	155.4	0.8
2018	9.8	1,789,855	1,185,071	151.0	0.7
2017	9.5	1,777,540	1,065,427	166.8	0.6
2016	8.6	1,810,693	892,379	202.9	0.3
2015	8.1	1,455,873	787,319	184.9	0.3
TOTAL					
2020	32.5%	$7,529,254	$4,262,924	176.6%	0.7%
2019	31.6	6,077,301	3,910,148	155.4	0.8
2018	31.9	5,826,474	3,857,748	151.0	0.7
2017	31.3	5,837,526	3,498,976	166.8	0.6
2016	29.8	6,279,305	3,094,750	202.9	0.3
2015	29.0	5,233,058	2,830,051	184.9	0.3

UNIVERSITY OF CALIFORNIA

Regents and Officers

APPOINTED REGENTS

(In alphabetical order by last name)

Maria Anguiano
Richard C. Blum
Laphonza Butler
Michael Cohen
Gareth Elliott
Cecilia Estolano
Howard "Peter" Guber
George D. Kieffer
Sherry L. Lansing
Richard Leib
Hadi Makarechian
Eloy Ortiz Oakley
Lark Park
John A. Perez
Janet Reilly
Richard Sherman
Jonathan "Jay" Sures
Charlene R. Zettel

EX OFFICIO REGENTS

Gavin Newsom, *Governor of California*
Eleni Kounalakis, *Lieutenant Governor*
Anthony Rendon, *Speaker of the Assembly*
Tony Thurmond, *State Superintendent of Public Instruction*
Dr. Michael V. Drake, *President of the University*

ALUMNI REGENTS

Debby Stegura, *President, Alumni Associations of the University of California*
Eric Mart, *Vice President, Alumni Associations of the University of California*

REGENTS-DESIGNATE

Cheryl Lott, *Treasurer, Alumni Associations of the University of California*
Art Torres, *Secretary, Alumni Associations of the University of California*
Alexis Atsilvsgi Zaragoza, *Student Regent Designate*

FACULTY REPRESENTATIVES *(non-voting)*

Mary Gauvain, *Chair, Assembly of the Academic Senate*
Robert Horwitz, *Vice Chair, Assembly of the Academic Senate*

OFFICERS OF THE REGENTS

Alexander Bustamante, *Senior Vice President-Chief Compliance and Audit Officer*
Charles F. Robinson, *General Counsel and Vice President-Legal Affairs*
Jagdeep Singh Bachher, *Chief Investment Officer and Vice President-Investments*
Anne Shaw, *Secretary and Chief of Staff*

OFFICE OF THE PRESIDENT

Dr. Michael V. Drake, *President of the University*
Jagdeep Singh Bachher, *Chief Investment Officer and Vice President-Investments*
Michael Brown, *Provost and Executive Vice President-Academic Affairs*
Pamela Brown, *Vice President-Institutional Research and Academic Planning*
Nathan Brostrom, *Executive Vice President-Chief Financial Officer*
Alexander Bustamante, *Senior Vice President-Chief Compliance and Audit Officer*
Dr. Carrie L. Byington, *Executive Vice President-UC Health*
Mark Cianca, *Interim Vice President & Chief Information Officer-Information Technology Services*
Yvette Gullatt, *Vice President & Provost*
Rachael Nava, *Executive Vice President-Chief Operating Officer*
Claire Holmes, *Senior Vice President-External Relations & Communications*
Glenda Humiston, *Vice President-Agriculture and Natural Resources*
Cheryl Lloyd, *Interim Vice President-Human Resources*
Theresa Maldonado, *Vice President Research and Innovation*
Charles F. Robinson, *General Counsel and Vice President-Legal Affairs*

MEDICAL CENTER CHIEF EXECUTIVE OFFICERS

Dr. David Lubarsky, *Davis*
Chad Lefteris, *Irvine*
Johnese Spisso, *Los Angeles*
Patty Maysent, *San Diego*
Mark Laret, *San Francisco*

MEDICAL CENTER CHIEF FINANCIAL OFFICERS

Timothy R. Maurice, *Davis*
Chad Lefteris,* *Irvine*
Paul Staton, *Los Angeles*
Lori Donaldson, *San Diego*
Raju Iyer, *San Francisco*

**Chief Executive Officer*

UNIVERSITY
OF
CALIFORNIA

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

ucop.edu

© 2020 THE REGENTS OF THE UNIVERSITY OF CALIFORNIA