Attachment 1

UNIVERSITY OF CALIFORNIA

Annual Financial Report

22/23

The University of California was founded on a revolutionary idea: That the state deserved a great public research university, open to all. Today, UC is essential to California's success, creating social mobility for its people and developing solutions to our most urgent societal challenges.

UNIVERSITY OF CALIFORNIA

22/23 Annual Financial Report

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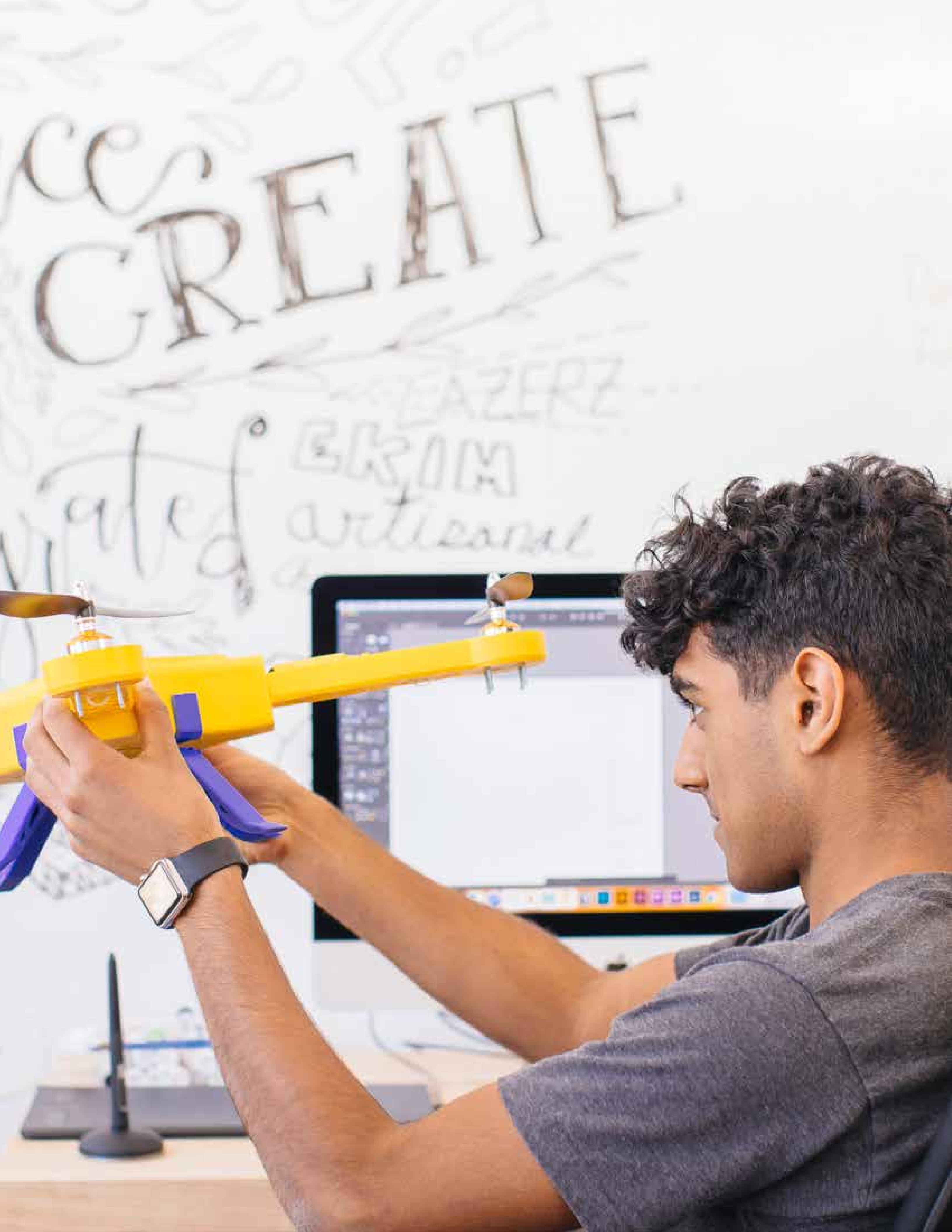
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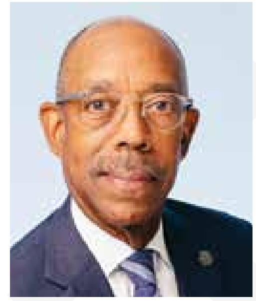
Letter from the President



In the past year the University of California has continued on a strong trajectory, gaining ground institutionally as the world continues to rebound from the challenges of the global pandemic. Many parts of the University demonstrated new growth, as the outstanding ingenuity and efforts of our faculty, students and staff propelled our core mission of teaching, research and public service.

The drive to create greater access, opportunity and excellence continued this year, with the University extending admissions offers to a record-high number of California freshmen for fall of 2023 — constituting the largest class of underrepresented freshmen in the system's history. More than 41 percent of our roughly 65,800 graduates in 2023 were the first in their families to earn a college degree — a powerful statistic that speaks to the role the University of California plays in social mobility here in the Golden State.

We are deeply grateful for the support of California's leaders this year that has allowed us to continue expanding the University's excellence and access in this way. This support was especially notable during a fiscally challenging time for the state, with leaders managing many competing priorities. Last year, the University and Governor Gavin Newsom entered into a five-year funding compact that will provide us with a five percent budget increase for each of the next five fiscal years. This will allow the University to enroll more California students, boost resources to help underrepresented groups achieve academic success and expand college access and affordability for students and families across the state.

One of those key priorities is clear in the historic partnership between the University and the state of California to combat climate change. The University began awarding $100 million in research grants across the state in support of cross-disciplinary, multi-sector expertise to develop solutions to climate change. We launched $15 million in grants for UC innovation and entrepreneurship in support of the state's climate goals. And on the operational front, we adopted new, stronger climate action goals that build on the University's already significant achievements in cutting greenhouse gas emissions and transitioning to clean, carbon-free electricity. In addition, the University launched its first-ever wind energy contract, our largest renewable energy commitment to date in support of campus decarbonization.

Throughout this growth and innovation, our campuses and hospitals continue to be ranked among the best in the nation. And every day, our faculty, students and staff contribute to the creation of new knowledge and research that is helping to create a more equitable, sustainable future for the planet. I am grateful to them for their creativity and resilience as we work together to remain one of the greatest and most transformative universities in the world.

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

Letter from the Executive Vice President and CFO

As this academic year begins, the turmoil from the global pandemic continues to recede, leading to a surge in growth at the University of California. This fall we welcome the largest class of California undergraduate students in our history — over 88,000 California freshmen and nearly 25,000 transfer students from California community colleges, across all nine UC campuses.

The admissions data also reflects the University's mission to offer a world-class education to all Californians. Underrepresented students account for 44 percent of California freshmen, both the highest percentage and highest total number in UC history. Of admitted students, 44 percent also represent the first in their families to attend college.

This growth, and the commitment to access and affordability, are possible because of the University's strong partnership with the Governor and the State legislature. In May 2022 the Governor and the University announced a multi-year compact, which provides consistent funding for base budget increases, enrollment growth and some capital funding in recognition of our work to advance shared student-focused goals. This year's budget reflected the State's commitment, with an increase of $360 million in ongoing funding, up 9 percent over the previous year, and one-time funding to support capital projects and climate research.

Given the high costs and limited supply of housing in the communities where our campuses are located, the University has also partnered with the State to reduce the financing costs for new student housing. This year the State launched a student housing grant program that provided $389 million in one-time funds for specific student housing projects. The State is also funding the first portion of a zero-interest student housing revolving loan program, which will be available to all three segments of public higher education in the State.

We have leveraged the State financing programs with our own financing to construct tens of thousands of new beds over the past decade, enabling some campuses to offer four-year housing guarantees for students. This past year, UC launched a central bank for its general revenue credit, ensuring campuses of a known borrowing rate, regardless of when they came to market. The launch of this program came at an opportune time given the volatility of the capital markets, particularly in short-term rates and with an inverted yield curve. We issued over $3.6 billion in the past year to support general education and research buildings, medical center facilities and student housing, while also netting over $450 million in debt service savings.

The University still faces many challenges, particularly in the area of capital. We have a significant need for new buildings to support enrollment growth, as well as research in new disciplines, while at the same time we continue to face the need for seismic upgrades and deferred maintenance from our existing buildings. We are encouraged, however, by the surging student demand for our UC campuses, for the strong and growing partnership with the State, and the creativity and commitment of our faculty and staff.

NATHAN BROSTROM
EXECUTIVE VICE PRESIDENT, CFO
UNIVERSITY OF CALIFORNIA

Facts in Brief *(Unaudited)*

	2023	2022*	2021*	2020*	2019*
STUDENTS					
Undergraduate fall enrollment	230,407	230,529	226,595	226,275	222,670
Graduate fall enrollment	70,098	70,327	65,274	64,964	63,601
Total fall enrollment	**300,505**	**300,856**	**291,869**	**291,239**	**286,271**
University Extension course enrollments	349,189	300,583	334,329	333,586	357,319
FACULTY AND STAFF *(full-time equivalents)*	**189,743**	**180,193**	**168,446**	**169,789**	**162,642**
SUMMARY FINANCIAL INFORMATION *(in thousands of dollars, except for retirement plan membership information)*					
UNIVERSITY OF CALIFORNIA					
PRIMARY REVENUE SOURCES					
Student tuition and fees, net[1]	$5,514,899	$5,440,530	$5,100,747	$5,298,018	$5,170,171
Grants and contracts, net	7,614,917	7,055,009	6,234,370	6,248,923	5,976,567
Medical centers, educational activities and auxiliary enterprises, net	26,901,261	24,463,503	21,006,438	19,813,552	18,933,888
State educational appropriations	4,387,338	4,296,909	3,260,441	3,686,105	3,508,102
Federal Pell Grants	447,641	443,777	607,356	443,282	437,828
Private gifts, net	1,825,635	1,736,613	1,572,402	1,516,475	1,441,330
Capital gifts and grants, net	339,658	311,160	228,422	251,616	195,348
Department of Energy laboratories	1,147,115	1,031,233	1,081,254	1,083,215	1,577,244
OPERATING EXPENSES BY FUNCTION					
Instruction	10,078,087	9,247,472	8,126,839	9,042,366	8,267,781
Research	6,372,538	6,011,775	5,194,750	5,492,011	5,249,698
Public service	1,029,124	915,903	787,475	829,864	770,436
Academic support	3,901,644	3,644,864	3,396,245	3,699,479	3,106,790
Student services	1,598,149	1,404,110	1,205,324	1,365,576	1,355,666
Institutional support	2,013,577	2,530,862	1,897,211	1,929,186	1,714,488
Operation and maintenance of plant	1,141,966	897,983	382,519	770,489	733,599
Student financial aid[2]	864,179	1,161,776	1,097,227	1,018,510	835,237
Medical centers	18,218,096	16,337,439	14,318,946	14,438,685	12,779,975
Auxiliary enterprises	1,792,990	1,458,613	1,044,381	1,408,764	1,441,436
Depreciation and amortization	2,829,698	2,694,875	2,623,858	2,184,431	2,100,228
Department of Energy laboratories	1,104,266	990,713	1,042,258	1,075,559	1,569,702
Other	224,630	111,500	78,729	150,486	178,377
CHANGE IN NET POSITION	(491,112)	(4,387,783)	4,993,885	(3,445,594)	(826,340)
FINANCIAL POSITION					
Investments, at fair value	37,609,407	37,340,881	38,448,400	30,239,155	28,305,077
Capital assets, at net book value	43,803,907	41,893,424	40,335,142	36,543,172	34,229,473
Other assets and deferred outflows	21,656,991	25,321,911	21,558,026	25,022,132	21,641,856
Outstanding debt, including financing obligations	(36,340,775)	(35,929,881)	(32,667,856)	(26,652,748)	(24,584,142)
Obligations for pension and retiree health benefits	(42,712,748)	(41,574,932)	(30,811,391)	(45,631,992)	(37,979,627)
Other liabilities and deferred inflows	(24,046,071)	(26,589,580)	(32,012,715)	(19,636,224)	(18,283,548)
Net position	(29,289)	461,823	4,849,606	(116,505)	3,329,089

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

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

**Amounts have not been restated to report accounting changes for subscription-based information technology arrangements.*

	2023	2022	2021	2020	2019
SUMMARY FINANCIAL INFORMATION *(in thousands of dollars, except for retirement plan membership information)*					
UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS					
PRIMARY REVENUE SOURCES					
Private gifts	$2,241,726	$1,980,697	$1,310,945	$1,301,479	$918,363
PRIMARY EXPENSES					
Grants to campuses	1,846,139	1,528,788	1,350,578	1,292,075	1,134,265
CHANGE IN NET POSITION	1,695,516	(150,838)	3,670,980	647,424	638,495
FINANCIAL POSITION					
Investments, at fair value	14,824,345	13,274,035	13,910,200	10,224,313	9,978,389
Pledges receivable, net	1,650,698	1,228,442	927,869	842,167	887,992
Net position	16,304,969	14,609,453	14,760,291	11,089,311	10,441,887
UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM					
PLAN PARTICIPATION					
Plan membership	349,254	333,293	320,401	314,854	307,875
Retirees and beneficiaries currently receiving payments	87,282	85,466	83,012	80,745	79,084
PRIMARY REVENUE SOURCES					
Contributions[1]	$6,123,368	$6,009,511	$5,615,851	$5,107,118	$4,815,057
Interest, dividends and other investment income, net	5,572,589	1,778,104	3,023,265	1,589,132	1,723,614
Net appreciation (depreciation) in the fair value of investments	5,808,449	(16,450,328)	25,738,318	978,372	3,701,585
PRIMARY EXPENSES					
Benefit payments	4,626,420	4,363,593	4,144,612	3,800,561	3,676,263
Participant and member withdrawals	2,315,919	2,097,185	1,834,962	1,680,533	1,598,933
CHANGE IN NET POSITION	10,482,009	(15,212,142)	28,328,964	2,122,138	4,897,856
FINANCIAL POSITION					
Investments, at fair value	118,799,215	109,139,801	124,576,493	97,278,282	95,456,703
Members' defined pension plan benefits	88,262,774	81,428,052	91,826,002	70,977,922	70,343,741
Participants' defined contribution plan benefits	33,580,993	29,933,706	34,747,898	27,267,014	25,779,057
ACTUARIAL INFORMATION *(as of the beginning of the year)*					
Actuarial value of assets	85,720,233	80,812,073	73,318,652	70,170,196	66,577,372
Actuarial accrued liability	102,715,788	97,243,831	93,088,224	87,782,652	76,881,052
UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST					
PLAN PARTICIPATION					
Plan membership	195,669	190,380	186,726	179,752	175,309
Retirees and beneficiaries currently receiving payments	49,252	47,765	46,751	44,944	43,631
PRIMARY REVENUE SOURCES					
Contributions	$371,631	$355,137	$350,774	$340,726	$333,107
Interest, dividends and other investment income, net	7,345	345	208	2,281	3,195
PRIMARY EXPENSES					
Insurance premiums	360,771	343,198	331,810	338,567	308,674
CHANGE IN NET POSITION	13,350	7,853	14,803	(91)	23,328
FINANCIAL POSITION					
Investments, at fair value	176,766	164,240	148,451	141,872	136,248
Net position for retiree health benefits	192,824	179,474	171,621	156,818	156,909
ACTUARIAL INFORMATION *(as of the beginning of the year)*					
Actuarial value of assets	179,474	171,621	156,818	156,909	133,581
Actuarial accrued liability	19,750,973	24,380,432	23,303,096	19,401,053	18,388,092

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

Campus Facts in Brief *(Unaudited)*

	BERKELEY	DAVIS	IRVINE	LOS ANGELES	MERCED
STUDENTS					
Undergraduate fall enrollment	32,479	31,532	28,662	32,423	8,343
Graduate fall enrollment	12,828	9,232	8,019	15,409	760
Total fall enrollment	**45,307**	**40,764**	**36,681**	**47,832**	**9,103**
University Extension course enrollments[1]	32,684	55,961	15,656	95,430	3,132
DEGREES CONFERRED[2]					
Bachelor	8,789	8,743	8,681	9,296	1,883
Advanced	4,990	2,443	2,514	5,000	169
Cumulative	716,135	340,550	255,444	646,916	16,339
FACULTY AND STAFF[3] *(full-time equivalents)*	15,613	29,777	18,403	40,402	2,700
LIBRARY COLLECTION[4] *(volumes)*	13,890,919	6,326,587	4,811,469	11,421,038	2,814,584
CAMPUS LAND AREA *(in acres)*	8,168	7,227	1,527	680	7,658

CAMPUS FINANCIAL FACTS[5] *(in thousands of dollars)*	BERKELEY	DAVIS	IRVINE	LOS ANGELES	MERCED
OPERATING EXPENSES BY FUNCTION					
Instruction	$987,126	$1,272,755	$1,066,296	$3,337,430	$90,079
Research	718,569	657,717	362,863	1,035,976	42,979
Public service	94,739	123,302	13,803	233,720	8,719
Academic support	138,455	240,312	338,520	1,263,083	37,925
Student services	347,974	205,406	124,776	209,889	39,307
Institutional support	391,141	154,283	102,974	324,962	99,341
Operation and maintenance of plant	126,593	135,460	77,343	133,590	26,033
Student financial aid	142,915	99,905	121,253	151,270	21,181
Medical centers		3,464,502	1,758,076	3,129,355	
Auxiliary enterprises	175,554	146,191	153,378	468,550	58,864
Depreciation and amortization	278,122	345,864	266,154	548,813	85,983
DOE Labs Expenses					
Other[6]	8,862	4,310	37,222	72,191	
Total	**$3,410,050**	**$6,850,007**	**$4,422,658**	**$10,908,829**	**$510,411**
GRANTS AND CONTRACTS REVENUE					
Federal government	$453,629	$515,229	$322,412	$821,239	$20,754
State government	100,935	175,262	27,521	119,791	43,745
Local government	7,062	26,504	3,474	89,926	3,114
Private	243,301	202,450	128,208	359,539	2,553
Total	**$804,927**	**$919,445**	**$481,615**	**$1,390,495**	**$70,166**
UNIVERSITY ENDOWMENTS					
Nonspendable endowments	$426,461	$134,122	$13,665	$334,283	$26,291
Other endowments	4,071,073	1,370,426	530,614	3,519,392	52,053
Annual income distribution	160,748	53,619	19,824	98,735	3,144
CAMPUS FOUNDATIONS' ENDOWMENTS					
Nonspendable endowments and gifts	1,770,040	397,150	507,062	1,901,720	17,861
Other endowments	1,206,871	283,954	288,823	1,259,912	11,234
CAPITAL ASSETS					
Capital assets, at net book value	3,951,714	5,767,329	4,520,654	7,821,534	1,721,218
Capital expenditures	361,808	836,010	712,363	663,772	10,189

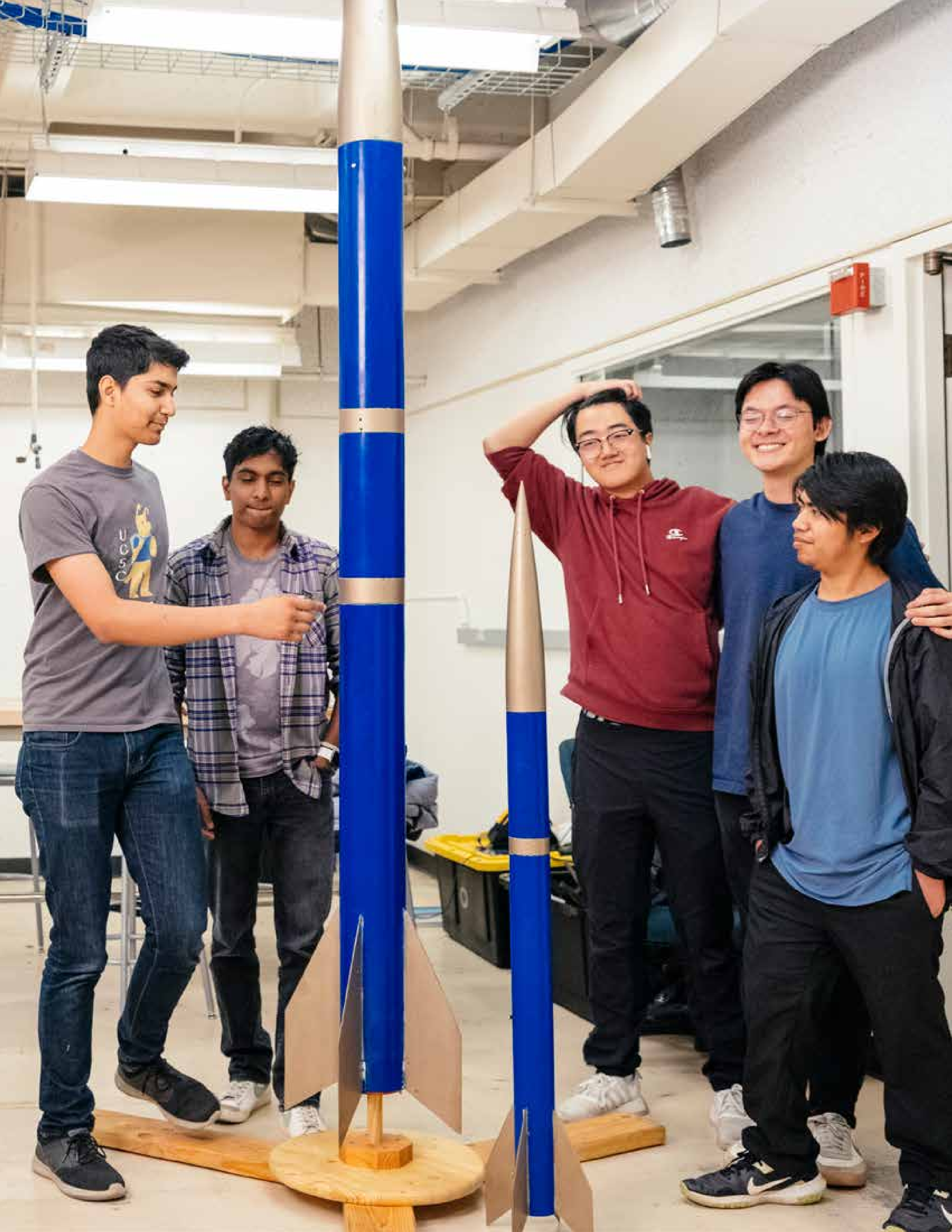
[1]Total courses enrolled in by University Extension students for academic year 2022-2023.
[2]As of academic year 2021-2022.
[3]As of April 30, 2023.
[4]As of June 30, 2022.
[5]Excludes DOE laboratories.
[6]Includes impairment of capital assets, noncapitalized expenses associated with capital projects and write-off, cancellation and bad debt expenses for loans.

	RIVERSIDE	SAN DIEGO	SAN FRANCISCO	SANTA BARBARA	SANTA CRUZ	SYSTEMWIDE[6]
STUDENTS						
Undergraduate fall enrollment	22,911	33,096		23,459	17,502	
Graduate fall enrollment	4,036	9,846	5,031	2,961	1,976	
Total fall enrollment	**26,947**	**42,942**	**5,031**	**26,420**	**19,478**	
University Extension course enrollments[1]	10,716	95,732		7,023	32,855	
DEGREES CONFERRED[2]						
Bachelor	5,678	8,871		6,317	4,373	
Advanced	1,242	2,688	873	896	572	
Cumulative	151,134	258,591	59,055	271,867	145,132	
FACULTY AND STAFF[3] *(full-time equivalents)*	6,315	31,052	29,826	7,186	5,543	2,926
LIBRARY COLLECTION[4] *(volumes)*	4,981,818	5,093,201	1,030,452	3,622,012	2,934,155	
CAMPUS LAND AREA *(in acres)*	1,891	2,199	194	1,127	6,088	26,343

CAMPUS FINANCIAL FACTS *(in thousands of dollars)*

	RIVERSIDE	SAN DIEGO	SAN FRANCISCO	SANTA BARBARA	SANTA CRUZ	SYSTEMWIDE[6]
OPERATING EXPENSES BY FUNCTION						
Instruction	$423,692	$1,051,167	366,703	$407,248	$247,255	$828,336
Research	156,676	1,123,222	1,426,763	221,229	150,605	475,939
Public service	$8,802	33,289	229,966	14,957	50,696	217,131
Academic support	44,945	865,390	348,578	110,498	62,219	451,719
Student services	112,669	215,678	30,329	109,235	118,803	84,083
Institutional support	85,751	148,500	262,468	66,377	72,465	305,315
Operation and maintenance of plant	54,648	270,565	145,227	62,379	55,488	54,640
Student financial aid	79,641	71,822	23,749	112,079	39,251	1,113
Medical centers		3,093,495	6,683,737			88,931
Auxiliary enterprises	104,677	332,981	35,979	125,331	124,479	67,006
Depreciation and amortization	103,818	463,206	446,792	91,797	74,157	124,992
DOE Labs Expenses						1,104,266
Other[5]		3,054	4,618	16,674	581	77,118
Total	**$1,175,319**	**$7,672,369**	**$10,004,909**	**$1,337,804**	**$995,999**	**$3,880,589**
GRANTS AND CONTRACTS REVENUE						
Federal government	$119,825	$977,104	$894,478	$154,437	$102,091	$5,883
State government	17,861	64,872	133,139	9,755	12,841	87,872
Local government	2,906	29,353	283,455	1,425	2,060	
Private	44,038	384,957	512,716	67,237	39,033	931
Total	**$184,630**	**$1,456,286**	**$1,823,788**	**$232,854**	**$156,025**	**$94,686**
UNIVERSITY ENDOWMENTS						
Nonspendable endowments	$19,207	$50,610	$157,574	$35,771	$11,884	$80,939
Other endowments	460,664	1,217,504	3,471,331	167,417	111,515	1,595,504
Annual income distribution	10,376	44,674	59,983	7,375	4,841	39,643
CAMPUS FOUNDATIONS' ENDOWMENTS						
Nonspendable endowments and gifts	148,387	716,160	1,168,239	204,151	64,556	
Other endowments	103,487	642,163	1,206,026	172,878	86,689	
CAPITAL ASSETS						
Capital assets, at net book value	1,604,248	7,407,485	7,351,815	1,570,364	1,427,383	660,163
Capital expenditures	174,084	1,056,651	930,850	93,624	133,657	28,862

[1]Total courses enrolled in by University Extension students for academic year 2022-2023.
[2]As of academic year 2021-2022.
[3]As of April 30, 2023.
[4]As of June 30, 2022.
[5]Includes impairment of capital assets, noncapitalized expenses associated with capital projects and write-off, cancellation and bad debt expenses for loans.
[6]Includes expenses for systemwide and research programs, systemwide support services and administration. Full-time equivalents count includes employees at all campuses involved in systemwide activities, including Agriculture and Natural Resources.



Management’s Discussion and Analysis *(Unaudited)*

The objective of this Management’s Discussion and Analysis is to help readers of the University of California’s financial statements better understand the financial position and operating activities for the year ended June 30, 2023, with selected comparative information for the years ended June 30, 2022 and 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2021, 2022 and 2023, etc.) in this discussion refer to the fiscal years ended June 30.

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

THE UNIVERSITY OF CALIFORNIA

The University of California, one of the largest and most acclaimed institutions of higher learning in the world, is dedicated to excellence in teaching, research, health care and public service. The University encompasses 10 campuses, five medical centers, four law schools and a statewide Division of Agriculture and Natural Resources. The University is also involved in the operation and management of three national laboratories for the U.S. Department of Energy (DOE).

Campuses. The 10 campuses are located in Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara and Santa Cruz. All of the campuses, except San Francisco, offer undergraduate, graduate and professional education; the San Francisco campus is devoted exclusively to graduate and professional education in health sciences.

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

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

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

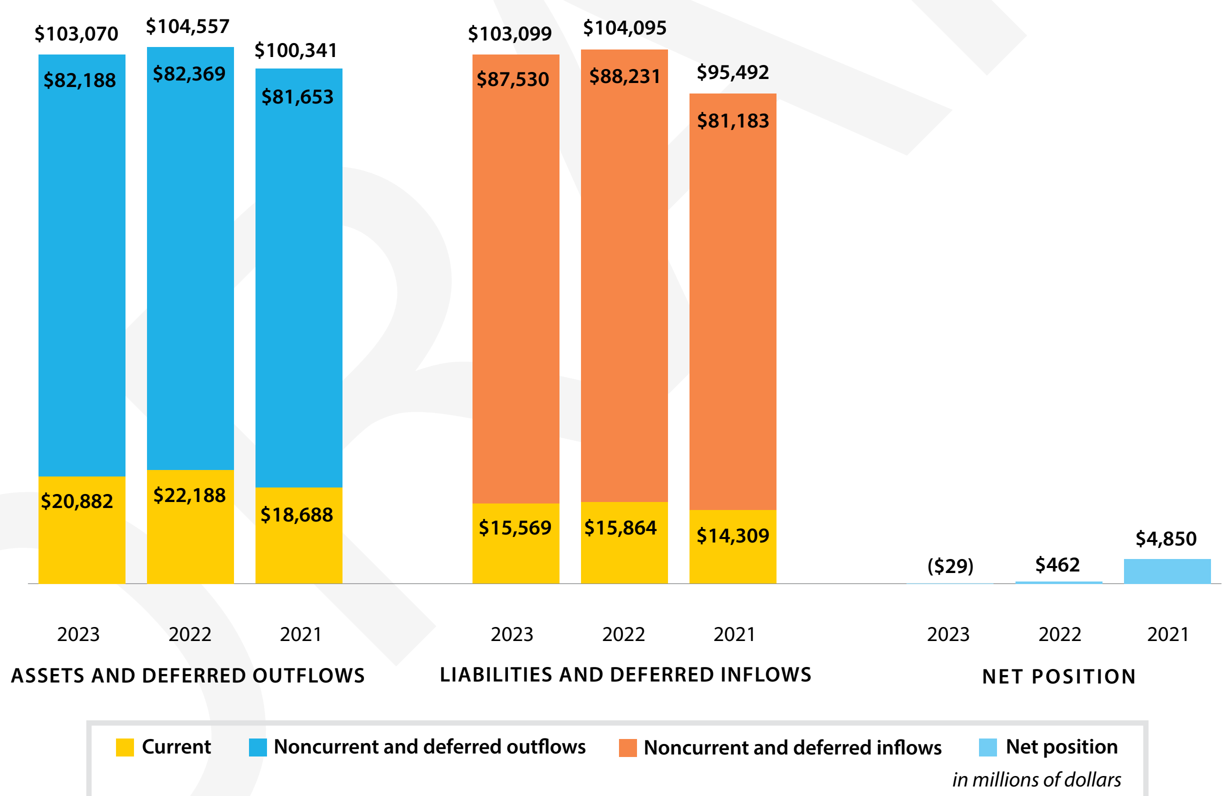
University Extension. The foremost continuing education program of its kind in size, scope and quality of instruction, University Extension offers almost 20,000 self-supporting courses statewide and in several foreign countries.

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

THE UNIVERSITY'S FINANCIAL POSITION

The University implemented a new accounting standard, Government Accounting Standard Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), effective for the University's fiscal year beginning July 1, 2022. Under GASB 96, these arrangements result in a right-to-use intangible asset and a corresponding subscription liability. Financial information for 2022 has been restated to retroactively apply this new accounting standard.

Display 1: The University's Financial Position



The statements of net position present the financial position of the University at the end of each fiscal year. They display all of the University's assets, deferred outflows, liabilities, deferred inflows and net position. The difference between assets, deferred outflows, liabilities and deferred inflows is net position. The major components of the statements of net position as of June 30, 2023, 2022 and 2021 are presented in Table MDA.1:

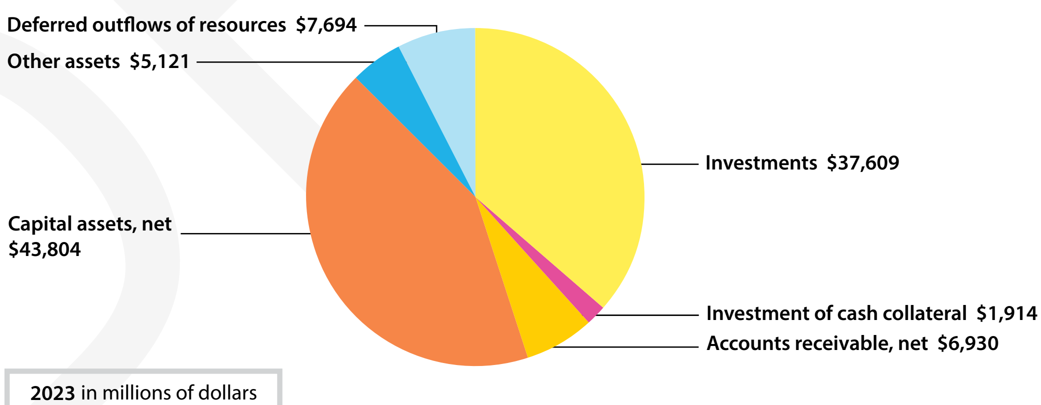
Table MDA.1: Statements of Net Position

(in millions of dollars)	**2023**	**2022**	**2021***
ASSETS			
Investments	$37,609	$37,341	$38,448
Investment of cash collateral	1,914	2,163	998
Accounts receivable, net	6,930	6,124	5,498
Capital assets, net	43,804	41,893	40,335
Other assets	5,121	5,537	5,304
Total assets	**95,378**	**93,058**	**90,583**
DEFERRED OUTFLOWS OF RESOURCES	**7,694**	**11,499**	**9,757**
LIABILITIES			
Debt, including commercial paper	36,341	35,930	32,668
Securities lending collateral	1,914	2,163	998
Net pension liability	20,385	21,403	5,895
Net retiree health benefits liability	22,327	20,172	24,916
Other liabilities	12,638	12,996	13,005
Total liabilities	**93,605**	**92,664**	**77,482**
DEFERRED INFLOWS OF RESOURCES	**9,495**	**11,430**	**18,009**
NET POSITION			
Net investment in capital assets	13,778	11,833	13,735
Restricted:			
Nonexpendable	1,336	1,307	1,285
Expendable	11,639	11,527	10,961
Unrestricted	(26,782)	(24,205)	(21,131)
Total net position	**($29)**	**$462**	**$4,850**

*Does not reflect adoption of GASB 96

The University's Assets and Deferred Outflows

Display 2: The University's Assets and Deferred Outflows for 2023



The University's total assets and deferred outflows of resources have fluctuated since 2021, at $103.1 billion in 2023, compared to $104.6 billion in 2022 and $100.3 billion in 2021. Capital assets have increased due to continued investments in facilities in excess of depreciation. Investments increased in 2023 due to positive financial market returns. Deferred outflows have fluctuated primarily due to changes in the University's net pension and retiree health benefits liabilities.

Investments

Investments held by the University are principally carried in the following investment pools: the Short Term Investment Pool (STIP), the Total Return Investment Pool (TRIP), the Blue and Gold Pool (BGP) and the General Endowment Pool (GEP). Cash for operations and bond proceeds for construction expenditures are invested in STIP. The University uses STIP to meet operational liquidity needs. TRIP provides the opportunity to enhance returns on long-term capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. The University maximizes its use of TRIP while still maintaining sufficient funds in STIP to meet operational and liquidity needs. BGP was created to enhance returns by passively investing funds in the equity and fixed-income markets while still maintaining liquidity. The investment policy for TRIP is balanced between equities and fixed income while the investment policy for BGP is more heavily weighted toward equities. GEP is a balanced portfolio and the primary investment vehicle for individual endowments and funds functioning as endowments.

The University utilizes asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. GEP had returns of 8.2 percent in 2023, (7.6) percent in 2022 and 33.7 percent in 2021. BGP was restarted on April 1, 2021 and had a return of (15.2) percent through June 30, 2022 and 13.3 percent in 2023. TRIP had returns of 8.6 percent, (11.3) percent and 21.2 percent in 2023, 2022 and 2021, respectively. STIP had positive returns of 2.8 percent, 0.4 percent and 0.8 percent in 2023, 2022 and 2021, respectively.

Capital assets, net

The University's enrollment growth and continuing needs for renewal, modernization and seismic correction of existing facilities are the key drivers of capital investments. Capital spending continued at a brisk pace in order to provide the facilities necessary to support the University's teaching, research and public service mission and for patient care. Capital spending includes constructing and renovating academic buildings, research laboratories, libraries, student services, parking structures and infrastructure projects at all 10 campuses and five medical centers. The University has a goal to increase affordable campus housing for more students, given escalating living costs in many of the surrounding campus communities. The largest capital asset additions in 2023 were related to the construction of housing, classroom, parking and research facilities at various campuses and expansion of medical center facilities. The largest capital asset additions in 2022 were related to the construction of housing and research facilities at various campuses and expansion of medical center facilities. The largest capital asset additions in 2021 were related to the construction of housing facilities at various campuses and the continued renovation of facilities for seismic safety. Total additions of capital assets were $5.0 billion in 2023 as compared to $4.3 billion in 2022 and $4.2 billion in 2021.

Other assets

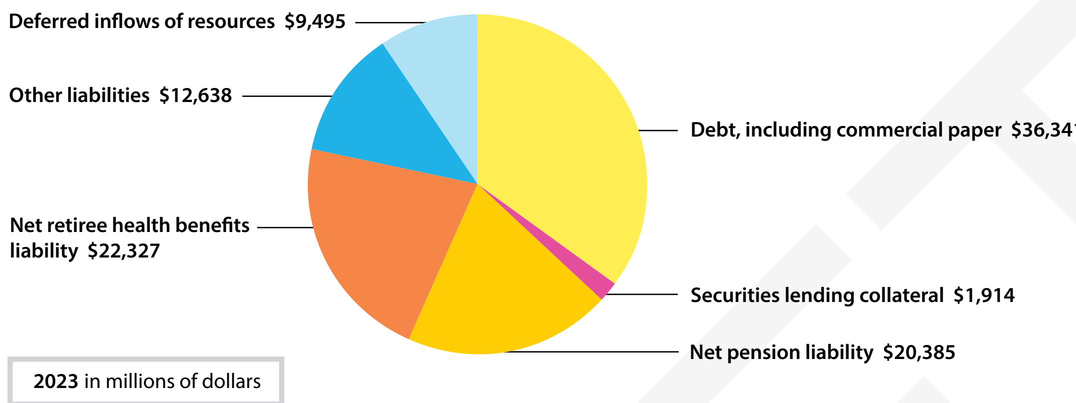
Other assets include cash, investments held by trustees, pledges receivable, notes and mortgages receivable, inventories and receivables from the DOE. The noncurrent receivable from the DOE, which fluctuates with the net pension and retiree health benefits liabilities due to the DOE's continuing responsibility to contribute for retired and terminated vested members of LLNL and LANL, increased by $22.5 million in 2023 and increased by $30.0 million in 2022.

Deferred outflows of resources

Changes in the fair value of the University's interest rate swaps that are determined to be hedging derivatives, losses on debt refundings, asset retirement obligations and certain changes in the net pension and net retiree health benefits liabilities are reported as deferred outflows of resources. In 2023, deferred outflows decreased due to higher than expected investment returns for the UCRP portfolio. In 2022, deferred outflows increased due to lower than expected investment returns for the UCRP portfolio.

The University's Liabilities and Deferred Inflows

Display 3: The University's Liabilities and Deferred Inflows for 2023



The University's liabilities and deferred inflows of resources decreased to $103.1 billion in 2023 as compared to $104.1 billion in 2022, and increased as compared to $95.5 billion in 2021. The change in 2023 was primarily related to the decrease in the liability for pension benefits due to favorable market returns in the UCRP investment portfolio. In 2022, the liability for pension benefits increased and deferred inflows increased due to market performance in the UCRP investment portfolio.

Debt, including commercial paper

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

Outstanding debt increased by $0.4 billion and $3.3 billion in 2023 and 2022, respectively. A summary of the activity follows:

Table MDA.2: Summary of Debt Activity

(in millions of dollars)	**2023**	**2022**
ADDITIONS TO OUTSTANDING DEBT		
General Revenue Bonds	$3,254	
Medical Center Pooled Revenue Bonds		$3,000
Blended Component Unit Revenue Bonds		191
Limited Project Revenue Bonds		412
Financing obligations, leases and SBITAs	516	584
Commercial paper, net		575
Bond premium, net	309	165
Additions to outstanding debt	**4,079**	**4,927**
REDUCTIONS FROM OUTSTANDING DEBT		
Refinancing and prepayments	(2,430)	(612)
Scheduled principal payments	(926)	(901)
Payments on other borrowings	(95)	(45)
Commercial paper, net	(60)	
Amortization of bond premium	(157)	(107)
Reductions from outstanding debt	**(3,668)**	**(1,665)**
Net increase in outstanding debt	**$411**	**$3,262**

The University's debt, which is used primarily to finance capital assets, includes $0.9 billion, $0.9 billion and $0.4 billion of commercial paper outstanding at the end of 2023, 2022 and 2021, respectively. Total debt outstanding was $36.3 billion at the end of 2023 compared to $35.9 billion and $32.7 billion at the end of 2022 and 2021, respectively.

In 2023, General Revenue Bonds totaling $3.3 billion, including $2.8 billion in tax-exempt bonds, were issued to finance the acquisition, construction, improvement and renovation of certain facilities of the University and refund general revenue bonds totaling $2.0 billion and medical center pooled revenue bonds totaling $0.3 billion.

In 2022, Medical Center Revenue Bonds of $0.4 billion were issued for operations and $2.6 billion to finance the acquisition, construction, improvement and renovation of certain facilities at the University's medical centers. Additionally, $191.3 million of tax-exempt bonds were issued to finance and refinance the construction of third-party housing facilities. Reductions to outstanding debt include $1.0 billion for scheduled principal payments.

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

Commercial paper borrowings decreased by $60.0 million in 2023 as compared to 2022 and increased by $575.0 million in 2022 compared to 2021. Commercial paper is primarily used as interim financing for construction projects and short-term financing for other needs. Commercial paper fluctuates based upon the timing of refinancing construction projects with the issuance of long-term revenue bonds. The University has various revolving credit agreements totaling $700.0 million with major financial institutions for the purpose of providing additional liquidity for certain variable-rate demand bonds, commercial paper and other liquidity needs.

Net pension liability and retiree health benefits

The University has financial responsibility for pension benefits associated with its defined benefit plans and for retiree health benefits. The University's net pension liability was $20.4 billion, $21.4 billion and $5.9 billion in 2023, 2022 and 2021, respectively. The changes were driven primarily by investment returns for the UCRP portfolio. In 2023, market performance was favorable compared to expected returns, and in 2022, market performance was unfavorable compared to expected returns. The total investment rate of return for UCRP was 10.1 percent in 2023, (10.8) percent in 2022 and 30.5 percent in 2021. The discount rate used to estimate the net pension liability was 6.75 percent in 2023, 2022 and 2021, respectively.

LBNL participates in the University's defined benefit pension plan, although the DOE has ongoing financial responsibility to reimburse the University for LBNL's share of the obligation to UCRP. In addition, under certain circumstances, the University makes contributions to UCRP for LANL and LLNL retirees and, based upon contractual arrangements with the DOE, is reimbursed by the DOE. The University recorded receivables from the DOE of $0.6 billion for each 2023, 2022 and 2021, respectively, representing the DOE's share of the net pension liability.

The University's net retiree health benefits liability was $22.3 billion, $20.2 billion and $24.9 billion in 2023, 2022 and 2021, respectively. While retiree health benefits are not a legal obligation of the University and can be canceled or modified at any time, accounting standards require the University to recognize a net retiree health benefits liability based on the current practices of providing such benefits. The University funds the retiree health benefits through UCRHBT based on a projection of benefits on a pay-as-you-go basis, and the assets in the trust are not currently sufficient to fund retiree health benefits. Therefore, the Bond Buyer 20-year tax-exempt general obligation municipal-bond index rate is used to discount the retiree health benefits liability. The increase in the net retiree health benefits liabilities in 2023 were primarily driven by an actuarial loss from higher than projected health care premium rates. The changes in the net retiree health benefits liabilities in 2022 were primarily driven by the changes in the discount rates used to estimate the net retiree health benefits liability. The discount rates as of June 30, 2023, 2022 and 2021 were 3.65 percent, 3.54 percent and 2.16 percent, respectively.

LBNL participates in the University's retiree health benefits plans and, based on contractual arrangements with the DOE, the University is reimbursed for retiree health benefits costs associated with LBNL retirees. The University recorded receivables from the DOE of $710.0 million, $708.6 million and $711.5 million for 2023, 2022 and 2021, respectively, representing the DOE's share of the net retiree health benefits liability.

Other liabilities

Other liabilities consist of accounts payable, accrued salaries, other employee benefits, unearned revenue, DOE laboratories' liabilities, federal refundable loans, self-insurance liabilities and obligations under split-interest agreements held by the University. The Centers for Medicare & Medicaid Services (CMS) modified the advance payment program for health care providers as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and the medical centers received advances under this program. Outstanding balances are $4.0 million, $88.4 million and $806.4 million as of June 30, 2023, 2022 and 2021, respectively. Accrued salaries changes were due to the timing of payroll and benefit payments. Self-insurance liabilities decreased by $336.6 million and increased by $472.7 million in 2023 and 2022, respectively, due to changes in claims and changes in estimates.

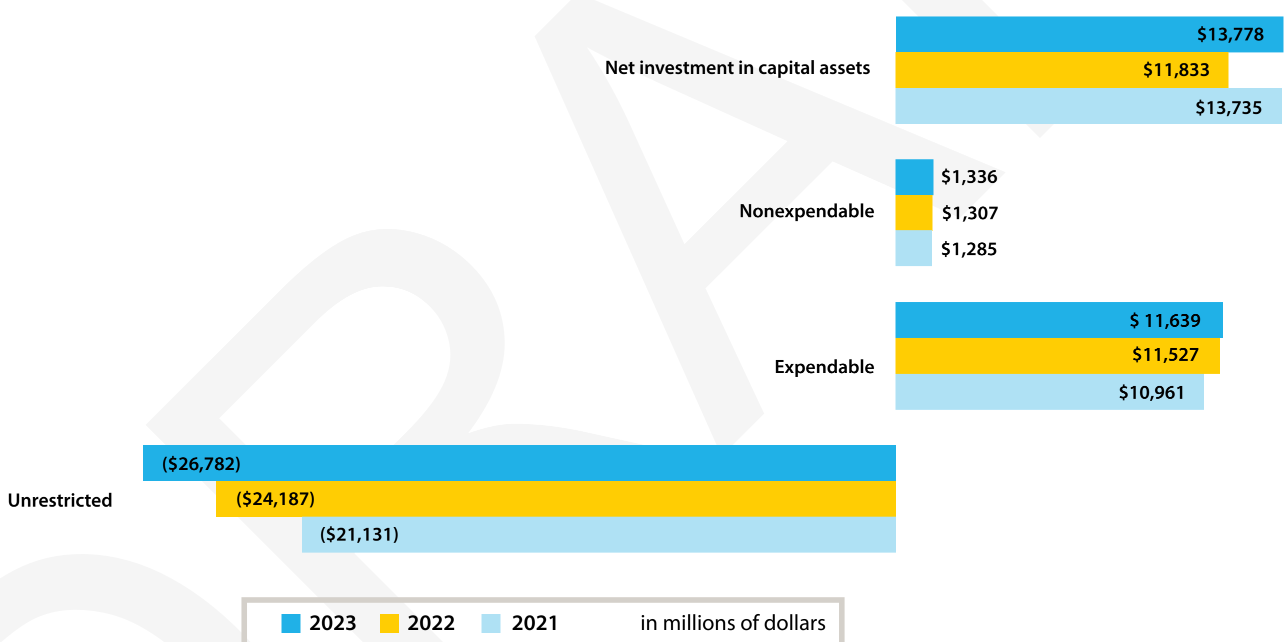
Deferred inflows of resources

Deferred inflows of resources are related to the University's service concession arrangements, gains on debt refunding, sales of certain future patent royalty revenues, changes in the estimated future value of irrevocable split-interest agreements and certain changes in the net pension and net retiree health benefits liabilities. Changes in deferred inflows of resources were primarily due to fluctuations in the net pension liability related to investment market performance and the retiree health liability as a result of changes in the discount rate.

The University's Net Position

Net position represents the residual interest in the University's assets and deferred outflows after all liabilities and deferred inflows are deducted. The University's net position was $0.0 billion in 2023 compared to $0.5 billion in 2022 and $4.8 billion in 2021. Net position is reported in the following categories: net investment in capital assets, restricted nonexpendable, restricted expendable and unrestricted.

Display 4: The University's Net Position



Net investment in capital assets

The portion of net position invested in capital assets, net of accumulated depreciation and the related outstanding debt used to finance the acquisition, construction or improvement of these capital assets, was $13.8 billion in 2023 compared to $11.8 billion in 2022 and $13.7 billion in 2021. To support its growth, the University continues to invest in its physical facilities, and financing with debt is used for a significant portion of the investments. Net investment in capital assets increased in 2023 by $1.9 billion as the University continues to invest in its physical facilities and decreased in 2022 by $1.9 billion due to depreciation and disposals outpacing non-financed capital spending.

Restricted nonexpendable

Restricted nonexpendable net position includes the corpus of the University's permanent endowments as well as minority interests. In 2023 and 2022, the increase in restricted nonexpendable net position was principally due to the receipt of new gifts.

Restricted expendable

Restricted expendable net position is subject to externally imposed restrictions governing its use. Restricted expendable net position may be spent only in accordance with the restrictions placed upon it and may include endowment income and gains, subject to the University's spending policy; support received from gifts, state or federal appropriations; and trustee-held investments. The increases or decreases in restricted expendable funds are principally due to the timing of spending restricted gifts and endowment income and gains.

Unrestricted

Net position that is not subject to externally imposed restrictions governing its use is classified as unrestricted for financial reporting purposes. Unrestricted net position is negative due primarily to obligations for pension and retiree health benefits exceeding University assets available to pay such obligations. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of the University's unrestricted net position is allocated for academic and research initiatives or programs, for capital projects or for other purposes.

THE UNIVERSITY'S RESULTS OF OPERATIONS

The statements of revenues, expenses and changes in net position present the University's operating results and indicate whether the financial condition has improved or deteriorated. In accordance with GASB requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the University are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts and investment income. A summarized comparison of the operating results for 2023, 2022 and 2021, arranged in a format that matches the revenue supporting the primary activities of the University with the expenses associated with these primary activities, is shown in Table MDA.3:

Table MDA.3: The University's Results of Operations

	2023			2022			2021*		
(in millions of dollars)	OPERATING	NONOPERATING	TOTAL	OPERATING	NONOPERATING	TOTAL	OPERATING	NONOPERATING	TOTAL
REVENUES									
Student tuition and fees, net	$5,515		$5,515	$5,441		$5,441	$5,101		$5,101
State educational appropriations		$4,387	4,387		$4,297	4,297		$3,260	3,260
Direct government grants		128	128		843	843		880	880
Federal Pell Grants		448	448		444	444		607	607
Grants and contracts, net	7,615		7,615	7,055		7,055	6,234		6,234
Medical centers, net	19,160	42	19,202	17,467	40	17,507	15,639	38	15,677
Educational activities, net	5,890		5,890	5,351		5,351	4,711		4,711
Auxiliary enterprises, net	1,851		1,851	1,646		1,646	656		656
Department of Energy laboratories	1,147		1,147	1,031		1,031	1,081		1,081
Private gifts, net		1,826	1,826		1,737	1,737		1,572	1,572
Other revenues	1,024	1,168	2,192	904	632	1,536	690	724	1,414
Revenues supporting primary activities	**42,202**	**7,999**	**50,201**	**38,895**	**7,993**	**46,888**	**34,112**	**7,081**	**41,193**
EXPENSES									
Salaries and wages	21,880		21,880	19,887		19,887	18,485		18,485
Pension benefits	4,892		4,892	4,338		4,338	2,041		2,041
Retiree health benefits	1,108		1,108	1,238		1,238	1,892		1,892
Other employee benefits	5,213		5,213	4,615		4,615	3,975		3,975
Scholarships and fellowships	893		893	1,182		1,182	1,120		1,120
Supplies and materials	5,922		5,922	5,361		5,361	4,790		4,790
Depreciation and amortization	2,830		2,830	2,695		2,695	2,624		2,624
Department of Energy laboratories	1,104		1,104	991		991	1,042		1,042
Interest expense		1,158	1,158		1,130	1,130		1,082	1,082
Other expenses	7,327	58	7,385	7,033		7,033	5,226	22	5,248
Expenses associated with primary activities	**51,169**	**1,216**	**52,385**	**47,340**	**1,130**	**48,470**	**41,195**	**1,104**	**42,299**
Income (loss) from primary activities	**($8,967)**	**$6,783**	**($2,184)**	**($8,445)**	**$6,863**	**($1,582)**	**($7,083)**	**$5,977**	**($1,106)**
OTHER NONOPERATING ACTIVITIES									
Net appreciation (depreciation) in fair value of investments			1,218			(3,149)			5,843
Income (loss) before other changes in net position			**(966)**			**(4,731)**			**4,737**
OTHER CHANGES IN NET POSITION									
State capital appropriations			105			1			1
Capital gifts and grants, net			340			311			228
Additions to permanent endowments			30			31			29
Change in net position			**(491)**			**(4,388)**			**4,995**
NET POSITION									
Beginning of year			462			4,850			(145)
End of year			**($29)**			**$462**			**$4,850**

*Does not reflect adoption of GASB 96

Revenues supporting core activities

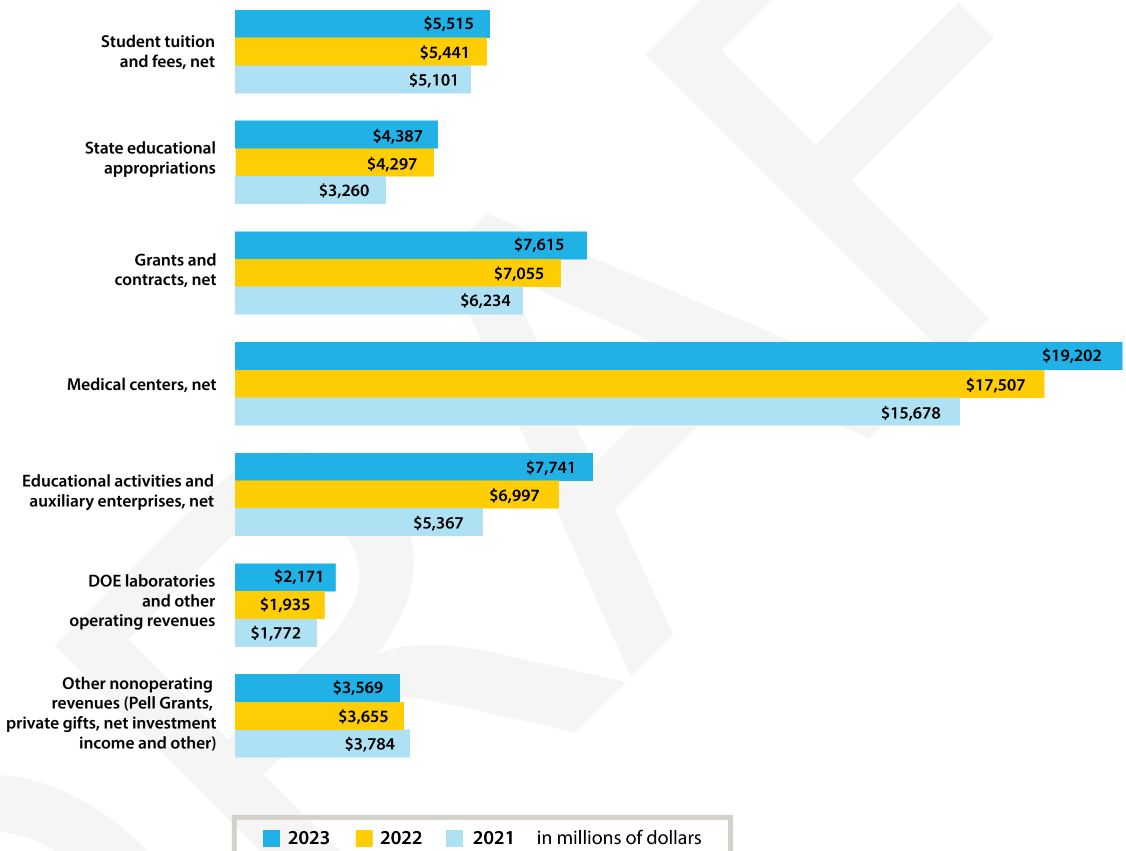
Revenues to support the University's primary activities, including those classified as nonoperating revenues, were $50.2 billion, $46.9 billion and $41.2 billion in 2023, 2022 and 2021, respectively. These diversified sources of revenue increased by $3.3 billion in 2023 and $5.7 billion in 2022.

The state of California's educational appropriations, in conjunction with student tuition and fees, are the main components that support the instructional mission of the University. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country.

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

Revenues in the various categories have changed as follows:

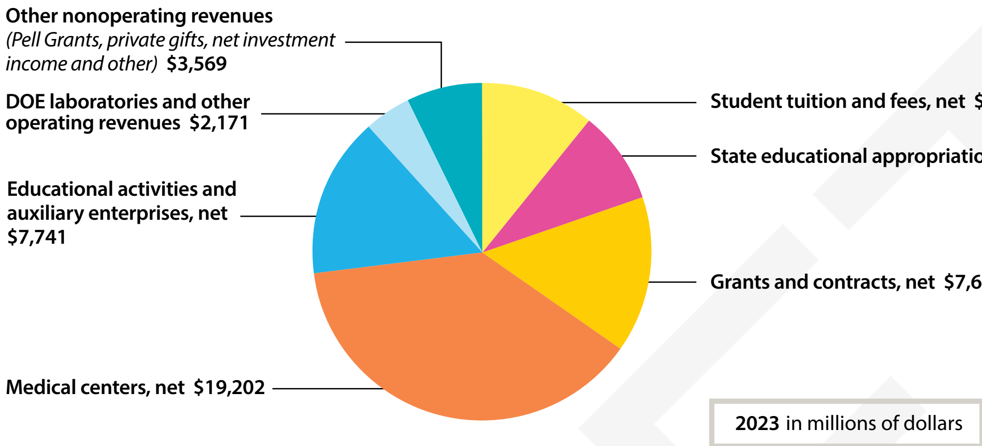
Display 5: The University's Revenues by Category



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

Categories of both operating and nonoperating revenue that supported the University's primary activities in 2023 are as follows:

Display 6: The University's Operating and Nonoperating Revenues for 2023



Student tuition and fees, net

Net student tuition and fees were $5.5 billion, $5.4 billion and $5.1 billion in 2023, 2022 and 2021, respectively. Scholarship allowances, or financial aid, are the difference between the stated charge for tuition and fees and the amount that is paid by the student and third parties on behalf of the student. Scholarship allowances, netted against student tuition and fees, were $1.4 billion in each of 2023, 2022 and 2021, respectively. Student tuition and fees, net of scholarship allowances, increased by $74.4 million in 2023 and by $339.8 million in 2022, respectively.

Enrollment remained relatively flat in the 2022-23 academic year after growing by approximately 3.1 percent in 2021-22. Consistent with the Tuition Stability Plan approved by the Regents in July 2021, mandatory tuition for undergraduates who enrolled prior to fall 2022 will remain flat through 2026-27; undergraduates who first enrolled in 2022-23 are assessed a mandatory tuition level that is 4.25% higher than the prior cohort; and undergraduates who first enrolled in 2023-24 are assessed a mandatory tuition level that is 5.0% higher than the prior cohort. For graduate students in State-supported programs, adjustments to mandatory tuition and fees are pegged to the rate of inflation beginning with the 2022-23 academic year. Professional degree supplemental tuition varies by discipline; certain increases were approved by the Regents for 2023, 2022 and 2021.

State educational appropriations

Educational appropriations from the state of California were $4.4 billion, $4.3 billion and $3.3 billion in 2023, 2022 and 2021, respectively. State educational appropriations increased by $0.1 billion and $1.0 billion in 2023 and 2022 due to a restoration of state support cut during prior years, a further base budget increase and new one-time funds for deferred maintenance and other purposes.

Direct government grants

In 2022 and 2021, the University received funds under certain provisions of the American Rescue Plan Act (ARPA) and CARES Act to minimize the impacts of lost revenues and increased expenses related to COVID-19. The campuses received $70.6 million, $642.7 million and $456.0 million in 2023, 2022 and 2021, respectively, in grants to provide emergency financial aid to students and to mitigate the impacts of lost revenue and additional technology expenses associated with moving to online education. The medical centers received $57.3 million, $52.8 million and $424.1 million in 2023, 2022 and 2021, respectively, in CARES Act provider relief funding for lost health care revenues and additional expenses for treating patients with COVID-19. In 2022, the medical centers received designated public hospital grants of $147.9 million in support of their health care expenditures.

Grants and contracts, net

Revenue from federal, state, private and local government grants and contracts, including facilities and administration cost recovery of $1.6 billion, $1.4 billion and $1.3 billion in 2023, 2022 and 2021, respectively, was $7.6 billion, $7.1 billion and $6.2 billion in 2023, 2022 and 2021, respectively.

In 2023, federal grants and contracts revenue increased $338.0 million, or 8.3 percent, compared to 2022. In 2022, federal grants and contracts revenue increased $468.0 million, or 13.1 percent, compared to 2021. Federal grants and contracts include federal facilities and administrative cost recovery of $1.1 billion, $981.0 million and $912.6 million in 2023, 2022 and 2021, respectively. Changes in the federal budget impact the University's revenue from federal grants and contracts. Grants and contracts revenue, including grants for research related to COVID-19 in 2023, 2022 and 2021, is from a variety of federal agencies as indicated in Table MDA.4:

Table MDA.4: Grants and Contracts Revenue Sources

(in millions of dollars)	**2023**	**2022**	**2021**
Department of Health and Human Services	$2,808	$2,595	$1,947
National Science Foundation	566	532	350
Department of Education	92	94	102
Department of Defense	306	312	219
National Aeronautics and Space Administration	142	114	83
Department of Energy (excluding national laboratories)	175	155	126
Other federal agencies	298	247	754
Federal grants and contracts net revenue	**$4,387**	**$4,049**	**$3,581**

Medical centers, net

Medical center revenue, net of allowances, increased $1.7 billion, or 9.7 percent, in 2023 and $1.8 billion, or 11.7 percent, in 2022. Revenue growth in 2023 and 2022 was the result of increases in both inpatient and outpatient volumes.

Educational activities and auxiliary enterprises, net

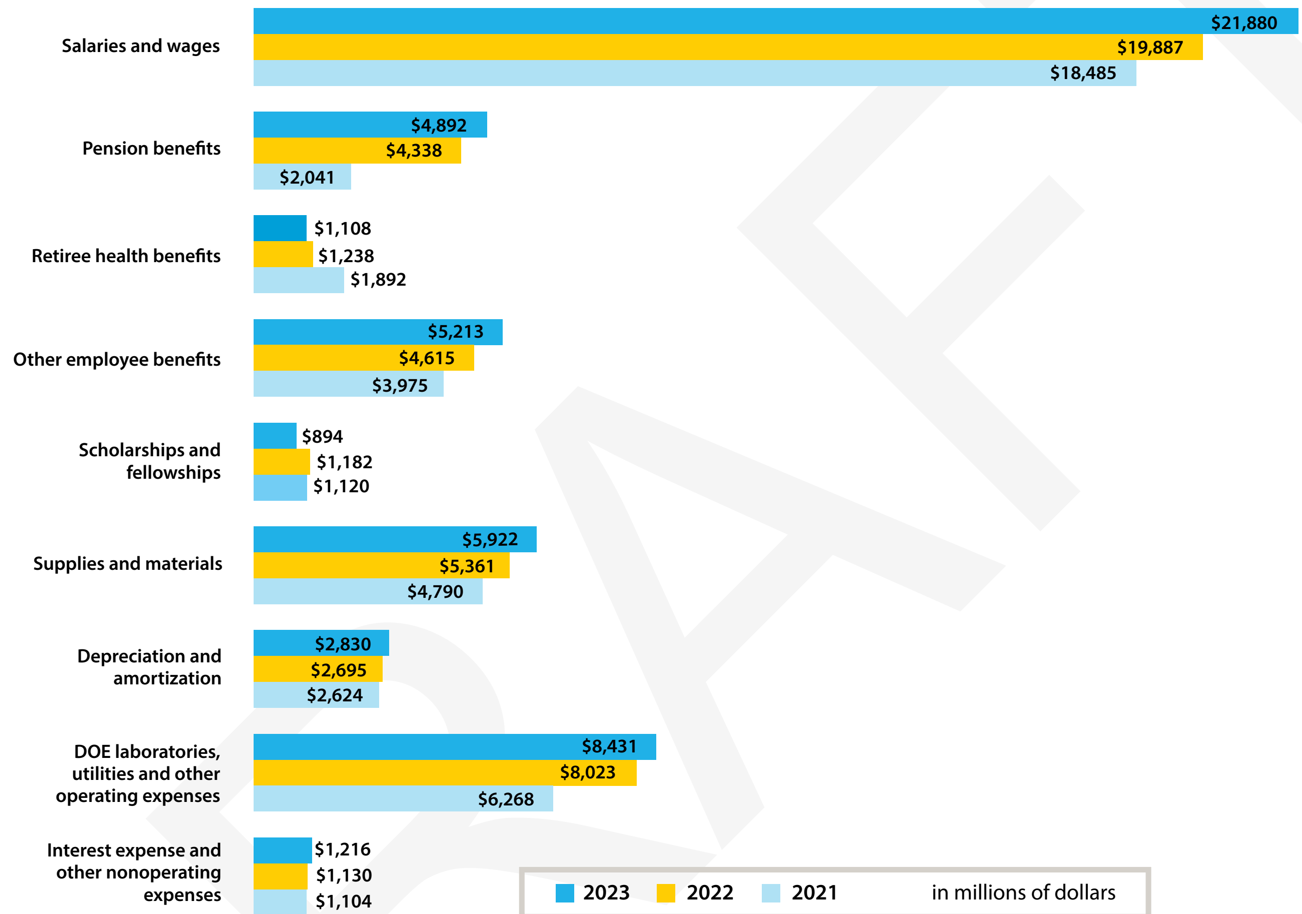
Revenue from educational activities, primarily medical professional fees, net of allowances, increased by $538.9 million, or 10.1 percent, in 2023 and $640.2 million, or 13.6 percent, in 2022, due to higher patient volumes.

Auxiliary enterprises include housing, food service, parking, bookstores, student centers, unions and child-care centers. Revenue from auxiliary enterprises, net of allowances, increased by $204.3 million, or 12.4 percent, in 2023 which is consistent with the University's initiative to expand campus housing while minimizing increases in housing costs for students. Revenue for auxiliary enterprises increased by $990.3 million, or 150.9 percent, in 2022 as in-person classes resumed in person starting in fall 2021.

Expenses associated with primary activities

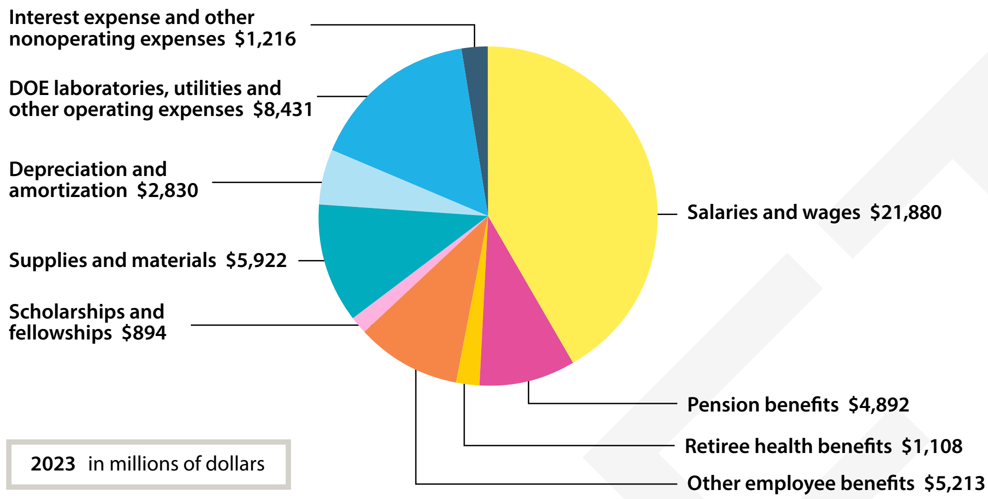
Expenses associated with the University's primary activities, including those classified as nonoperating expenses, were $52.4 billion, $48.5 billion and $42.3 billion in 2023, 2022 and 2021, respectively. These expenses increased in 2023 by $3.9 billion and in 2022 by $6.2 billion. The University's operations continued to grow, principally at the medical centers, and expenses increased consistent with the overall growth in operations. Pension expenses have caused significant fluctuations in expenses due to the performance of the financial markets. Retiree health benefits expenses decreased in 2023 and 2022 due to the changes in the discount rate. Expenses in the various categories are as follows:

Display 7: The University's Expenses by Category



Categories of both operating and nonoperating expenses related to the University's primary activities in 2023 are as follows:

Display 8: Expenses Related to Primary Activities in 2023



Salaries and benefits

Approximately two-thirds of the University's expenses are related to salaries and benefits. There were 189,700 full-time equivalent (FTE) employees in 2023, excluding employees who were associated with LBNL, whose salaries and benefits were included as laboratory expenses, as compared to 180,200 FTEs in 2022. Total salaries and benefits expense increased by 10.0 percent in 2023, primarily driven by the increase in salaries and wages of $2.0 billion and pension expense of $0.6 billion. Total salaries and benefits expense increased by 14.0 percent in 2022, primarily driven by the increase in salaries and wages of $1.4 billion and pension expense of $2.3 billion.

In 2023, salaries increased by 10.0 percent, comprised of an increase of 5.3 percent in the number of FTEs and a 4.5 percent increase in the average salary per FTE. In 2023, employee benefits, excluding pension and retiree health benefits, increased by $597.7 million, or 13.0 percent. Pension expense increased by $0.6 billion due to changes in actuarial assumptions related to the experience study. Retiree health benefits expense decreased by $130.2 million or 10.5 percent due to an increase in the discount rate.

In 2022, salaries increased by 7.6 percent, comprised of an increase of 7.0 percent in the number of FTEs and a 0.7 percent increase in the average salary per FTE. In 2022, employee benefits, excluding pension and retiree health benefits, increased by $640.0 million, or 16.1% percent. Pension expense increased by $2.3 billion due to lower-than-expected investment returns. Retiree health benefits expense decreased by $653.2 million or 34.5 percent due to an increase in the discount rate.

Scholarships and fellowships

The University places a high priority on student financial aid as part of its commitment to affordability. Financial aid in all forms awarded by the University was $2.7 billion, $2.9 billion and $2.6 billion in 2023, 2022 and 2021, respectively. Scholarship allowances which are netted against student tuition and fees were $1.8 billion, $1.7 billion and $1.5 billion in 2023, 2022 and 2021, respectively. Scholarships and fellowships expense, representing payments of financial aid made directly to students and reported as an operating expense were $0.9 billion, $1.2 billion and $1.1 billion in 2023, 2022 and 2021, respectively. On a combined basis, as the University continues its commitment to provide financial support for needy students, financial aid in all forms increased by $0.2 million, or 8.3 percent, in 2023 as compared to 2022, and by $334.0 million, or 12.9 percent, in 2022 as compared to 2021. Increases in financial aid, scholarships and fellowships in 2021 slowed since virtually all classes were held online and housing occupancy was limited. Increases in financial aid, scholarships and fellowships in 2022 are consistent with increases in enrollment, tuition, fees and housing costs. Financial aid includes direct payments to students of $19.5 million, $333.0 million and $135.9 million in 2023, 2022 and 2021, respectively, related to funds received under the CARES Act. The University's practice is to minimize the impact of cost increases on first-generation and low-income students.

Supplies and materials

During 2023 and 2022, supplies and materials costs increased by $560.9 million, or 10.5 percent and $571.7 million, or 11.9 percent, respectively. The largest increases occurred at the medical centers due to increased patient volumes. In 2023, supply costs also increased for research activities related to increased federal contract and grant activities. In 2022 and 2021, the need for personal protective, laboratory and cleaning supplies due to the outbreak of COVID-19 caused significant increases in supplies expense. In recent years, there has been inflationary pressure on the costs for medical supplies and laboratory instruments and higher costs for general supplies necessary to support expanded medical patient volumes. The University continues to find opportunities to manage the costs of supplies and materials.

Other expenses

Other expenses consist of a variety of expense categories, including travel, rent, insurance, legal settlements and repairs and maintenance, plus any gain or loss on disposals of capital assets and other nonoperating expenses.

Operating losses

In accordance with GASB's reporting standards, operating losses were $9.0 billion, $8.4 billion and $7.1 billion in 2023, 2022 and 2021, respectively. The operating losses in 2023, 2022 and 2021 were offset by $6.8 billion, $6.9 billion and $6.0 billion, respectively, of net nonoperating revenue that supports primary operating activities of the University. Expenses exceeded revenues associated with primary activities by $2.2 billion, $1.6 billion and $4.1 billion in 2023, 2022 and 2021, respectively. These fluctuations have been primarily driven by changes in pension and retiree health benefits expenses.

Other nonoperating activities

The University's other nonoperating activities, consisting of net appreciation or depreciation in the fair value of investments, are noncash transactions and, therefore, are not available to support operating expenses. In 2022, the University recognized net depreciation in the fair value of investments of $3.1 billion. In 2023 and 2021, the University recognized net appreciation in the fair value of investments of $1.2 billion and $5.8 billion, respectively. The University's portfolio returns fluctuate with the overall performance in the investment markets.

Other changes in net position

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

LOOKING FORWARD — FACTORS IMPACTING FUTURE PERIODS

Governor Newsom signed SB 101 on June 27, 2023, and AB 102 on July 10, 2023; together with issue-specific budget trailer bills, these bills constitute the Budget Act of 2023-24. Together, the budget provides the University of California with $329.2 million in new ongoing support in 2023-24, an increase of 7.5 percent over 2022-23 levels. The budget also includes one-time funding of $142.5 million to support various programs across the University. The final State budget provides the University with new ongoing funds to finance new capital projects that the State had previously proposed to support with larger one-time appropriations. This includes $33.5 million in ongoing funding to replace $437 million of one-time funds for student housing projects, and $33.3 million in ongoing funding to replace $498 million of one-time funds for Berkeley's Clean Energy Campus Project and campus expansion projects at Merced and Riverside.

The Budget Act reflects the second year of the Governor's multi-year compact with the University. Under the compact, the Governor will propose annual base budget increases of five percent for the University in 2022-23 through 2026-27. The University, in turn, has committed to specific and ambitious goals related to increasing access to the University of California, improving student success and advancing equity, increasing the affordability of a UC education, increasing intersegmental collaboration, supporting workforce preparedness and providing access to online course offerings.

The University's medical centers continue to face financial and competitive challenges in their regional markets, along with the added costs and responsibilities related to their function as academic institutions. The demand for health care services and the cost of providing them continue to increase significantly. In addition to the rising costs of salaries, benefits and medical supplies faced by hospitals across the state, along with the costs of maintaining and upgrading facilities, the University's medical centers also face additional costs associated with seismic retrofitting, new technologies, biomedical research, the education and training of health care professionals and the care for a significant share of the medically underserved in California. Other than Medicare and Medi-Cal (California's Medicaid program), health insurance payments do not recognize the added cost of teaching in academic medical centers. The growth in costs of the publicly funded programs and health care reform will likely continue to reduce rates or limit payment growth, placing downward pressure on operating results for the medical centers.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by the University, including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that the University expects or anticipates will or may occur in the future contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. The University does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

Report of Independent Auditors

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

Opinions

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of the University of California (the "University"), a component unit of the State of California, as of and for the years ended June 30, 2023 and 2022, including the related notes, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of the University as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in the Notes to the Financial Statements - Significant Accounting Policies, the University changed the manner in which it accounts for leases in 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages [__] through [__] and the required supplementary information on pages [__] through [__] be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 audit 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises pages [__] through [___], but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

San Francisco, California

UNIVERSITY OF CALIFORNIA

STATEMENTS OF NET POSITION

	UNIVERSITY OF CALIFORNIA		CAMPUS FOUNDATIONS	
At June 30, 2023 and 2022 (in thousands of dollars)	**2023**	**2022**	**2023**	**2022**
ASSETS				
Cash and cash equivalents	$549,988	$1,080,765	$272,370	$575,601
Short-term investments	9,946,972	11,178,413	1,788,817	1,213,678
Investment of cash collateral	1,833,062	2,112,588		
Investments held by trustees	345,834	428,877		
Accounts receivable, net	6,929,913	6,124,199	39,999	33,325
Pledges receivable, net	34,964	49,408	307,168	480,206
Current portion of notes and mortgages receivable, net	66,737	63,751		
Inventories	397,407	382,683		
Department of Energy receivable	178,365	196,186		
Other current assets	598,977	571,465	2,655	5,590
Current assets	**20,882,219**	**22,188,335**	**2,411,009**	**2,308,400**
Investments	27,662,435	26,162,468	13,035,528	12,060,357
Investment of cash collateral	80,824	49,932		
Investments held by trustees	99,091	105,424		
Pledges receivable, net	18,800	32,308	1,343,530	748,236
Notes and mortgages receivable, net	329,987	332,907	250	250
Department of Energy receivable	1,355,389	1,332,893		
Capital assets, net	43,803,907	41,893,424		
Other noncurrent assets	1,143,371	959,961	107,575	113,261
Noncurrent assets	**74,493,804**	**70,869,317**	**14,486,883**	**12,922,104**
Total assets	**95,376,023**	**93,057,652**	**16,897,892**	**15,230,504**
DEFERRED OUTFLOWS OF RESOURCES	**7,694,282**	**11,498,564**		
LIABILITIES				
Accounts payable	3,579,443	2,415,451	23,879	46,390
Accrued salaries	805,549	1,392,754		
Employee benefits	1,026,661	1,466,430		
Unearned revenue	1,943,846	1,882,436	39,440	46,153
Collateral held for securities lending	1,913,858	2,162,521		
Commercial paper	885,000	945,000		
Current portion of long-term debt	2,602,168	2,116,095		
Department of Energy laboratories' liabilities	189,122	206,827		
Other current liabilities	2,623,851	3,276,379	139,675	152,608
Current liabilities	**15,569,498**	**15,863,893**	**202,994**	**245,151**
Federal refundable loans	161,866	185,826		
Self-insurance	1,392,511	1,179,514		
Obligations under life income agreements	32,891	33,784	135,177	133,808
Long-term debt	32,853,607	32,868,786		
Net pension liability	20,385,317	21,403,045		
Net retiree health benefits liability	22,327,431	20,171,887		
Other noncurrent liabilities	881,779	957,282	44,130	39,251
Noncurrent liabilities	**78,035,402**	**76,800,124**	**179,307**	**173,059**
Total liabilities	**93,604,900**	**92,664,017**	**382,301**	**418,210**
DEFERRED INFLOWS OF RESOURCES	**9,494,694**	**11,430,376**	**210,622**	**202,841**
NET POSITION				
Net investment in capital assets	13,777,714	11,832,812		
Restricted:				
Nonexpendable: endowments and gifts	1,290,807	1,261,836	6,907,145	6,428,020
Nonexpendable: reserved for minority interests	45,436	45,366		
Expendable	11,639,236	11,526,450	8,067,172	7,191,936
Unrestricted	(26,782,482)	(24,204,641)	1,330,652	989,497
Total net position	**($29,289)**	**$461,823**	**$16,304,969**	**$14,609,453**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	UNIVERSITY OF CALIFORNIA		CAMPUS FOUNDATIONS	
Years ended June 30, 2023 and 2022 (in thousands of dollars)	**2023**	**2022**	**2023**	**2022**
OPERATING REVENUES				
Student tuition and fees, net	$5,514,899	$5,440,530		
Grants and contracts, net:				
Federal	4,387,081	4,049,495		
State	793,594	775,898		
Private	1,984,963	1,829,799		
Local	449,279	400,317		
Medical centers, net	19,160,460	17,466,956		
Educational activities, net	5,889,864	5,350,956		
Auxiliary enterprises, net	1,850,937	1,646,591		
Department of Energy laboratories	1,147,115	1,031,233		
Campus foundation private gifts			$2,241,726	$1,980,697
Other operating revenues, net	1,024,373	903,906	2,165	791
Total operating revenues	**42,202,565**	**38,895,681**	**2,243,891**	**1,981,488**
OPERATING EXPENSES				
Salaries and wages	21,879,739	19,886,413		
Pension benefits	4,891,821	4,337,794		
Retiree health benefits	1,108,240	1,238,413		
Other employee benefits	5,213,015	4,615,318		
Supplies and materials	5,922,349	5,361,451		
Depreciation and amortization	2,829,698	2,694,875		
Department of Energy laboratories	1,104,266	990,713		
Scholarships and fellowships	892,943	1,182,024		
Utilities	529,740	463,127		
Campus foundation grants			1,846,139	1,528,788
Other operating expenses	6,797,133	6,569,494	50,307	44,230
Total operating expenses	**51,168,944**	**47,339,622**	**1,896,446**	**1,573,018**
Operating income (loss)	**(8,966,379)**	**(8,443,941)**	**347,445**	**408,470**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	4,387,338	4,296,909		
State hospital fee grants	41,883	39,872		
Direct government grants	127,874	843,341		
Build America Bonds federal interest subsidies	53,834	52,385		
Federal Pell Grants	447,641	443,777		
Private gifts, net	1,825,635	1,736,613		
Investment income:				
Short term investment pool and other, net	711,486	112,827		
Endowment, net	302,891	136,149		
Securities lending, net	(8,420)	2,530		
Campus foundations			137,383	80,969
Net appreciation (depreciation) in fair value of investments	1,218,317	(3,148,849)	772,813	(1,217,490)
Interest expense	(1,158,643)	(1,130,050)		
Gain (loss) on disposal of capital assets	(58,211)	129,800		
Other nonoperating revenues	108,240	197,975	61	41
Net nonoperating revenues (expenses)	**7,999,865**	**3,713,279**	**910,257**	**(1,136,480)**
Income (loss) before other changes in net position	**(966,514)**	**(4,730,662)**	**1,257,702**	**(728,010)**
OTHER CHANGES IN NET POSITION				
Capital gifts and grants	339,658	311,160		
State capital appropriations	105,328	1,182		
Additions to permanent endowments	30,416	30,537	437,814	577,172
Change in net position	**(491,112)**	**(4,387,783)**	**1,695,516**	**(150,838)**
NET POSITION				
Beginning of year	461,823	4,849,606	14,609,453	14,760,291
End of year	**($29,289)**	**$461,823**	**$16,304,969**	**$14,609,453**

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

	UNIVERSITY OF CALIFORNIA		CAMPUS FOUNDATIONS	
Years ended June 30, 2023 and 2022 (in thousands of dollars)	**2023**	**2022**	**2023**	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	$5,512,640	$5,427,086		
Grants and contracts	7,776,067	6,953,429		
Medical centers	18,680,849	17,298,084		
Educational activities	5,819,997	5,288,573		
Auxiliary enterprises	1,869,094	1,678,827		
Collection of loans from students and employees	8,681	89,744		
Campus foundation private gifts			$1,655,810	$1,345,547
Payments to employees	(23,420,325)	(20,359,569)		
Payments to suppliers and utilities	(12,948,944)	(11,847,058)		
Payments for pension benefits	(2,701,794)	(2,733,682)		
Payments for retiree health benefits	(432,897)	(409,295)		
Payments for other employee benefits	(4,429,087)	(4,021,009)		
Payments for scholarships and fellowships	(892,943)	(1,182,024)		
Loans issued to students and employees	(8,747)	(66,952)		
Payments to campuses and beneficiaries			(1,942,029)	(1,485,497)
Other receipts (payments)	58,173	(162,688)	260	80,157
Net cash used by operating activities	**(5,109,236)**	**(4,046,534)**	**(285,959)**	**(59,793)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	4,411,505	4,319,931		
Federal Pell Grants	450,181	452,963		
Direct government grants	127,874	842,121		
State hospital fee grants	41,883	39,872		
Gifts received for other than capital purposes:				
Private gifts for endowment purposes	31,391	22,813	385,438	505,994
Other private gifts	1,831,605	1,722,772		
Receipt of retiree health contributions from UCRP	127,772	86,342		
Payment of retiree health contributions to UCRHBT	(169,201)	(96,028)		
Receipts from UCRHBT	416,594	404,992		
Payments for retiree health benefits made on behalf of UCRHBT	(433,424)	(418,025)		
Student direct lending receipts	531,156	526,203		
Student direct lending payments	(529,178)	(525,980)		
Proceeds from debt issuance	100,000	400,000		
Proceeds from line of credit				91,000
Repayment of line of credit				(91,000)
Commercial paper financing:				
Proceeds from issuance	(17,400)	3,698		
Payments of principal		(35,682)		
Interest paid on debt	(37,694)	(32,488)		
Other receipts	176,877	115,661	15,601	9,732
Net cash provided by noncapital financing activities	**7,059,941**	**7,829,165**	**401,039**	**515,726**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	6,226,825	669,872		
Payments of principal	(6,269,425)	(62,888)		
Interest paid	(24,292)	(2,257)		
State capital appropriations	104,028	1,383		
Build America Bonds federal interest subsidies	75,124	33,570		
Capital gifts and grants	280,892	234,528		
Proceeds from debt issuance	3,841,017	3,453,201		
Proceeds from the sale of capital assets	11,698	1,816		
Purchase of capital assets	(4,858,423)	(3,293,353)		
Refinancing or prepayment of outstanding debt	(2,429,970)	(611,762)		
Scheduled principal paid on debt	(1,013,537)	(946,014)		
Interest paid on debt	(806,310)	(1,105,610)		
Other receipts	76,216	72,566		
Net cash used by capital and related financing activities	**(4,786,157)**	**(1,554,948)**		

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA

STATEMENTS OF CASH FLOWS *continued*

	UNIVERSITY OF CALIFORNIA		CAMPUS FOUNDATIONS	
Years ended June 30, 2023 and 2022 (in thousands of dollars)	**2023**	**2022**	**2023**	**2022**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	$249,716,361	$156,081,577	$2,430,524	$2,533,632
Purchase of investments	(248,305,849)	(158,112,202)	(2,967,923)	(2,831,462)
Investment income, net of investment expenses	894,163	205,640	119,088	80,827
Net cash used by investing activities	**2,304,675**	**(1,824,985)**	**(418,311)**	**(217,003)**
Net change in cash and cash equivalents	**(530,777)**	**402,698**	**(303,231)**	**238,930**
Cash and cash equivalents, beginning of year	1,080,765	678,067	575,601	336,671
Cash and cash equivalents, end of year	**$549,988**	**$1,080,765**	**$272,370**	**$575,601**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating income (loss)	($8,966,379)	($8,443,941)	$347,445	$408,470
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation and amortization expense	2,829,698	2,694,875		
Noncash gifts			(136,643)	(319,875)
Allowance for uncollectible accounts	424,389	284,277	14,233	13,949
Loss on impairment of capital assets	45,090	50,496		
Changes in assets and liabilities:				
Investments held by trustees	(1,754)	4,488	(3,663)	(5,766)
Accounts receivable	(780,130)	(906,741)	755	344
Pledges receivable			(453,593)	(315,236)
Inventories	(14,724)	(33,913)		
Other assets	(162,633)	200,960	(26,561)	71,092
Accounts payable	129,048	350,980	(20,082)	28,581
Accrued salaries	(587,205)	224,071		
Employee benefits	(328,700)	(252,170)		
Unearned revenue	21,570	45,228	(8,518)	448
Department of Energy	(22,380)	(28,538)		
Self-insurance	(336,579)	472,747		
Obligations under life income agreements			275	(5,426)
Net pension liability	2,195,671	1,539,712		
Net retiree health benefits liability	596,235	748,675		
Other liabilities	(150,453)	(997,740)	393	63,626
Net cash used by operating activities	**($5,109,236)**	**($4,046,534)**	**($285,959)**	**($59,793)**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired through leases	$431,180	$354,914		
Capital assets acquired through SBITAs	85,977	319,298		
Capital assets acquired with a liability at year end	208,072	57,734		
Change in fair value of interest rate swaps classified as hedging derivatives	67,016	65,117		
Gifts of capital assets	58,699	73,646		$4,851
Other noncash gifts	19,889	61,743	$182,846	318,803
Proceeds from issuance of blended component unit revenue bonds deposited with trustees		216,462		
Beneficial interests in irrevocable split-interest agreements administered by third parties	4,077	2,563	14,780	12,805
Noncash gifts for University-administered irrevocable split-interest agreements			2,650	14,820

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA

STATEMENTS OF FIDUCIARY NET POSITION

At June 30, 2023 and 2022 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)		UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)		TOTAL UCRS AND UCRHBT	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
ASSETS						
Investments	$118,799,215	$109,139,801	$176,766	$164,240	$118,975,981	$109,304,041
Participants' interests in mutual funds	2,372,880	2,012,040			2,372,880	2,012,040
Investment of cash collateral	8,621,760	10,400,999			8,621,760	10,400,999
Participant 403(b) loans	202,344	195,668			202,344	195,668
Accounts receivable:						
Contributions from University and affiliates	69,525	194,140	31,674	29,889	101,199	224,029
Investment income	223,237	76,181			223,237	76,181
Security sales and other	904,019	692,710	825	167	904,844	692,877
Prepaid insurance premiums			2,799	2,563	2,799	2,563
Total assets	**131,192,980**	**122,711,539**	**212,064**	**196,859**	**131,405,044**	**122,908,398**
LIABILITIES						
Payable to University			19,240	17,385	19,240	17,385
Payable for securities purchased	562,797	190,619			562,797	190,619
Member withdrawals, refunds and other payables	164,675	758,163			164,675	758,163
Collateral held for securities lending	8,621,741	10,400,999			8,621,741	10,400,999
Total liabilities	**9,349,213**	**11,349,781**	**19,240**	**17,385**	**9,368,453**	**11,367,166**
NET POSITION HELD IN TRUST						
Members' defined benefit plan benefits	88,262,774	81,428,052			88,262,774	81,428,052
Participants' defined contribution plan benefits	33,580,993	29,933,706			33,580,993	29,933,706
Retiree health benefits			192,824	179,474	192,824	179,474
Total net position held in trust	**$121,843,767**	**$111,361,758**	**$192,824**	**$179,474**	**$122,036,591**	**$111,541,232**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA

STATEMENTS OF FIDUCIARY NET POSITION *continued*

	CUSTODIAL EXTERNAL INVESTMENT POOL FUNDS	
At June 30, 2023 and 2022 (in thousands of dollars)	**2023**	**2022**
ASSETS		
Investments	$595,102	$457,450
Total assets	**595,102**	**457,450**
NET POSITION		
Custodial external investment pool funds	595,102	457,450
Total net position	**$595,102**	**$457,450**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Years ended June 30, 2023 and 2022 (in thousands of dollars)	**UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)**		**UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)**		**TOTAL UCRS AND UCRHBT**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
ADDITIONS						
Contributions:						
Members and employees	$3,196,194	$3,016,947			$3,196,194	$3,016,947
University	2,927,174	2,992,564	$371,631	$355,137	3,298,805	3,347,701
Total contributions	**6,123,368**	**6,009,511**	**371,631**	**355,137**	**6,494,999**	**6,364,648**
Investment income (expense), net:						
Net appreciation (depreciation) in fair value of investments	5,808,449	(16,450,328)			5,808,449	(16,450,328)
Interest, dividends and other investment income	5,562,601	1,762,099	7,345	345	5,569,946	1,762,444
Securities lending income	336,928	40,940			336,928	40,940
Securities lending fees and rebates	(326,940)	(24,935)			(326,940)	(24,935)
Net investment income (loss)	**11,381,038**	**(14,672,224)**	**7,345**	**345**	**11,388,383**	**(14,671,879)**
Total additions, net	**17,504,406**	**(8,662,713)**	**378,976**	**355,482**	**17,883,382**	**(8,307,231)**
DEDUCTIONS						
Benefit payments:						
Retirement payments	3,363,060	3,181,330			3,363,060	3,181,330
Member withdrawals	141,026	173,892			141,026	173,892
Cost-of-living adjustments	797,574	683,885			797,574	683,885
Lump sum cash-outs	369,817	403,805			369,817	403,805
Preretirement survivor payments	59,756	58,363			59,756	58,363
Disability payments	24,853	26,717			24,853	26,717
Death payments	11,360	9,493			11,360	9,493
Participant withdrawals	2,174,893	1,923,293			2,174,893	1,923,293
Total benefit payments	**6,942,339**	**6,460,778**			**6,942,339**	**6,460,778**
Insurance premiums:						
Insured plans			148,974	136,317	148,974	136,317
Self-insured plans			179,276	175,189	179,276	175,189
Medicare Part B reimbursements			32,521	31,692	32,521	31,692
Total insurance premiums, net			**360,771**	**343,198**	**360,771**	**343,198**
Other deductions:						
Plan administration and other expenses	80,058	88,651	4,855	4,431	84,913	93,082
Total other deductions	**80,058**	**88,651**	**4,855**	**4,431**	**84,913**	**93,082**
Total deductions	**7,022,397**	**6,549,429**	**365,626**	**347,629**	**7,388,023**	**6,897,058**
Change in net position held in trust	**10,482,009**	**(15,212,142)**	**13,350**	**7,853**	**10,495,359**	**(15,204,289)**
NET POSITION HELD IN TRUST						
Beginning of year	111,361,758	126,573,900	179,474	171,621	111,541,232	126,745,521
End of year	**$121,843,767**	**$111,361,758**	**$192,824**	**$179,474**	**$122,036,591**	**$111,541,232**

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION *continued*

	CUSTODIAL EXTERNAL INVESTMENT POOL FUNDS	
Years ended June 30, 2023 and 2022 (in thousands of dollars)	**2023**	**2022**
ADDITIONS		
Contributions	$254,217	$97,438
Net appreciation in fair value of investments	227,363	10,681
Interest, dividends and other investment income	11,750	1,401
Total additions	**493,330**	**109,520**
DEDUCTIONS		
Withdrawals	**355,678**	**173,459**
Total deductions	**355,678**	**173,459**
Change in net position	**137,652**	**(63,939)**
NET POSITION		
Beginning of year	457,450	521,389
End of year	**$595,102**	**$457,450**

See accompanying notes to financial statements.

Notes to Financial Statements

Years ended June 30, 2023 and 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Financial Reporting Entity

The University's financial statements include the 10 campuses, five medical centers, a statewide agricultural extension program and the operations of most student government or associated student organizations as part of the primary financial reporting entity because The Regents has certain oversight responsibilities for these organizations. Organizations that are not significant or for which the University is not financially accountable, such as booster and alumni organizations, are not included in the reporting entity.

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

The University has 11 legally separate, tax-exempt, affiliated foundations, one for each campus and the Lawrence Berkeley National Laboratory (LBNL). The economic resources received or held by the foundations are entirely for the benefit of the campuses. Because of the nature and significance of their relationship with the University, including their ongoing financial support, the campus foundations are reported under GASB requirements as discretely presented component units of the University.

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

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

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

Basis of Presentation

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

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. As a public institution, the University is considered a special-purpose government engaged primarily in a business-type activity under the provisions of GASB Statements Nos. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* and 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities — an amendment of GASB Statement No. 34*. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Adoption of Accounting Pronouncement

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), effective for the University's fiscal year beginning July 1, 2022. Under this Statement, these arrangements result in a right-to-use intangible asset and a corresponding subscription liability.

The adoption of GASB 96 did not result in any adjustments to the financial statements of the campus foundations, UCRS, UCRHBT or the custodial external investment pool funds. Table 1.1 presents the effects of adopting GASB 96 in the University's financial statements for the year ended June 30, 2022.

Table 1.1: Effects of Adopting GASB 96 for 2022

	UNIVERSITY OF CALIFORNIA		
(in thousands of dollars)	**AS PREVIOUSLY REPORTED**	**EFFECT OF ADOPTION OF GASB 96**	**AS RESTATED**
STATEMENT OF NET POSITION			
ASSETS			
Other current assets	$589,186	($17,721)	$571,465
Current assets	**22,206,056**	**(17,721)**	**22,188,335**
Capital assets, net	41,675,440	217,984	41,893,424
Noncurrent assets	**70,651,333**	**217,984**	**70,869,317**
Total assets	**92,857,389**	**200,263**	**93,057,652**
LIABILITIES			
Current portion of long-term debt	2,051,945	64,150	2,116,095
Other current liabilities	3,274,835	1,544	3,276,379
Current liabilities	**15,798,199**	**65,694**	**15,863,893**
Long-term debt	32,744,372	124,414	32,868,786
Noncurrent liabilities	**76,675,710**	**124,414**	**76,800,124**
Total liabilities	**92,473,909**	**190,108**	**92,664,017**
NET POSITION			
Net investment in capital assets	11,804,936	27,876	11,832,812
Unrestricted net position	(24,186,920)	(17,721)	(24,204,641)
Total net position	**$451,668**	**$10,155**	**$461,823**

Table 1.1: Effects of Adopting GASB 96 for 2022 *continued*

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA AS PREVIOUSLY REPORTED	UNIVERSITY OF CALIFORNIA EFFECT OF ADOPTION OF GASB 96	UNIVERSITY OF CALIFORNIA AS RESTATED
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
OPERATING REVENUES			
Depreciation and amortization	$2,626,612	$68,263	$2,694,875
Other operating expenses	6,651,594	(82,100)	6,569,494
Total operating expenses	**47,353,459**	**(13,837)**	**47,339,622**
Operating loss	**(8,457,778)**	**13,837**	**(8,443,941)**
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(1,126,368)	(3,682)	(1,130,050)
Net nonoperating revenues	**3,716,961**	**(3,682)**	**3,713,279**
Income before other changes in net position	**($4,740,817)**	**$10,155**	**($4,730,662)**
Change in net position	**($4,397,938)**	**$10,155**	**($4,387,783)**
STATEMENT OF CASH FLOWS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and utilities	($11,929,158)	$82,100	($11,847,058)
Net cash used by operating activities	**(4,128,634)**	**82,100**	**(4,046,534)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(3,306,809)	13,456	(3,293,353)
Scheduled principal paid on debt and leases	(852,590)	(93,424)	(946,014)
Interest paid on debt and leases	(1,103,478)	(2,132)	(1,105,610)
Net cash used by capital and related financing activities	**(1,472,848)**	**(82,100)**	**(1,554,948)**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating loss	(8,457,778)	13,837	(8,443,941)
Depreciation and amortization expense	2,626,612	68,263	2,694,875
Net cash used by operating activities	**($4,128,634)**	**$82,100**	**($4,046,534)**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION			
Capital assets acquired through SBITAs	$0	$319,298	$319,298

Significant Accounting Policies

The significant accounting policies of the University are as follows:

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

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

Investments also include private equities, private credit, absolute return funds, real estate, real asset and certain corporate asset-backed securities. Private equities include venture capital partnerships, buyouts, real assets and international funds. Fair values for interests in private equity, absolute return partnerships and real estate partnerships are based on valuations provided by the general partners of the respective partnerships. The valuations are primarily based on the most recent net asset value (NAV) of the underlying investments. The NAV is reported by the external investment managers, including general partners, in accordance with their policies as described in their respective financial statements and offering memoranda. The most recent NAV is adjusted for capital calls, distributions and significant known valuation changes, if any, of its related portfolio through June 30, 2023 and 2022.

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

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

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

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

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

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

Campus foundations may invest all or a portion of their investments in University-managed investment pools. Certain securities in these investment pools are included in the University's security lending program. Accordingly, the campus foundations' investments in University-managed investment pools and their allocated share of the securities lending activities have been excluded from the University's financial statements and included in the Campus Foundations' columns.

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

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

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

Changes in the fair value of derivatives that are not hedging derivatives are recorded as net appreciation or depreciation of investments in the statements of revenues, expenses and changes in net position.

Accounts receivable, net. Accounts receivable, net of allowance for uncollectible amounts, include reimbursements due from state and federal sponsors of externally funded research, patient billings, accrued income on investments and other receivables. Other receivables include local government and private grants and contracts, educational activities and amounts due from lessees, students, employees and faculty.

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

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

Notes and mortgages receivable, net. Loans to students, net of allowance for uncollectible amounts, are provided from federal student loan programs and from other University sources. Home mortgage loans, primarily to faculty, are funded from the University's STIP and from other University sources. Mortgage loans funded by STIP are classified as investments, and loans provided by other sources are classified as mortgages receivable in the statements of net position.

Inventories. Inventories for the campuses, consisting primarily of supplies and merchandise for resale, are valued at cost, typically determined under the weighted average method, which is not in excess of estimated net realizable value. Inventories for the medical centers consist primarily of pharmaceuticals and medical supplies which are stated on a first-in, first-out basis at the lower of cost or market.

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

The University is a member in two separate joint ventures that operate and manage two other DOE laboratories under contracts directly with the DOE. Lawrence Livermore National Security, LLC (LLNS) operates and manages Lawrence Livermore National Laboratory (LLNL). Triad National Security, LLC (Triad) operates and manages Los Alamos National Laboratory (LANL). The University's investments in Triad and LLNS are accounted for using the equity method. Accordingly, the University's statements of net position include its equity interest in Triad and LLNS, adjusted for the equity in undistributed earnings or losses and the statements of revenues, expenses and changes in net position include its equity in the current earnings or losses of Triad and LLNS.

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

Capital assets, net. Land, infrastructure, buildings and improvements, intangible assets, equipment, libraries, collections and special collections are recorded at cost at the date of acquisition, or estimated acquisition value at the date of donation in the case of gifts. Estimates of acquisition value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual value. Intangible assets include easements, land rights, trademarks, patents, right-to-use lease assets, right-to-use subscription-based information technology arrangement (SBITA) assets and other similar arrangements. Leases and SBITAs are recorded at the estimated present value of future payments, net of amounts paid in advance and capitalizable implementation costs. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized if the cost equals or exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are considered operating expenses. Equipment with a cost equal to or in excess of $5,000 and a useful life of more than one year is capitalized. Incremental costs, including salaries and employee benefits, directly related to the acquisition, development and installation of major software projects are included in the cost of the capital assets. All costs of land, library collections and special collections are capitalized.

Depreciation is calculated using the straight-line method over the estimated useful life of the asset. Assets under leases and SBITAs are amortized over the shorter of the lease or subscription term or the estimated useful life of the asset. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the applicable lease or the useful life of the asset.

Estimated useful lives are shown in Table 1.2:

Table 1.2: Estimated Useful Lives

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

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

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

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

Unearned revenue. Unearned revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees for housing and dining services.

Federal refundable loans. Certain loans to students are administered by the University with funding primarily supported by the federal government. The University's statements of net position include both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed.

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

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

Obligations under life income agreements. Obligations under life income agreements represent trusts with living income beneficiaries where the University has a residual interest. The investments associated with these agreements are recorded at fair value. The discounted present value of the income beneficiary interest is reported as a liability in the statements of net position. Gifts subject to such agreements administered by the University are recorded as deferred inflows of resources, net of the income beneficiary share, at the date of the gift. At the termination of the agreement, the University's residual interest is recorded as gift revenue in the statements of revenues, expenses and changes in net position.

Pollution remediation obligations. Upon an obligating event, the University estimates the components of any expected pollution remediation costs and recoveries from third parties. The costs, estimated using the expected cash flow technique, are accrued as a liability. Pollution remediation liabilities generally involve groundwater, soil and sediment contamination at certain sites where state and other regulatory agencies have indicated that the University is among the responsible parties. The liabilities are reviewed annually and may increase or decrease the cost of recovery from third parties, if any, as a result of additional information that refines the estimates, or from payments made from revenue sources that support the activity. There were no expected recoveries at June 30, 2023 and 2022 reducing the pollution remediation liability.

Asset retirement obligations. Upon an obligating event, the University records the costs of any expected tangible capital asset retirement obligations using the best estimate of the current value of outlays expected to be incurred. The liabilities are reviewed annually and may change as a result of additional information that refines the estimates. Actual asset retirement obligation costs may vary from these estimates as a result of changes in assumptions such as asset retirement dates, regulatory requirements, technology and costs of labor, materials and equipment. The estimated remaining useful lives of these assets range from 2 to 27 years.

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

Changes in the net pension and net retiree health liabilities not included in expenses are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension and retiree health liabilities are reported as deferred outflows of resources.

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

Net investment in capital assets. This category includes all of the University's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction or improvement of those assets.

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

Nonexpendable. The net position subject to externally imposed restrictions, which must be retained in perpetuity by the University or campus foundations, is classified as restricted nonexpendable. This includes the University and campus foundation permanent endowment funds.

Also included in restricted nonexpendable net position are minority interests, which include the net position of legally separate organizations attributable to other participants.

Expendable. The net position whose use by the University or campus foundations is subject to externally imposed restrictions that can be fulfilled by actions of the University or campus foundations pursuant to those restrictions or that expire by the passage of time is classified as restricted expendable.

Unrestricted. The net position that is not subject to externally imposed restrictions governing its use is classified as unrestricted. The University's unrestricted net position may be designated for specific purposes by management or The Regents. The campus foundations' unrestricted net position may be designated for specific purposes by their Boards of Trustees. Substantially all of the University's unrestricted net position is allocated for academic and research initiatives or programs, for capital programs or for other purposes.

Restricted or unrestricted resources are spent based upon a variety of factors, including funding restrictions, consideration of prior and future revenue sources, the type of expense incurred, the University's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost. Unrestricted net position is negative due primarily to liabilities for pension and retiree health benefits exceeding University assets available to pay such obligations.

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

Certain significant revenues relied upon and budgeted for fundamental operational support of the primary mission of the University are mandated by GASB to be recorded as nonoperating revenues, including state educational appropriations, certain federal grants for student financial aid, private gifts and investment income, since GASB does not consider them to be related to the principal operating activities of the University.

Nonoperating revenues and expenses also include state financing appropriations, state hospital fee grants, direct government grants from the American Rescue Plan Act (ARPA), Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Build America Bond federal interest subsidies, net appreciation (or depreciation) in the fair value of investments, interest expense and the gain (loss) on the disposal of capital assets.

The University received grants under certain provisions of the ARPA and CARES Act, reported as nonoperating revenues, to minimize the impacts of lost revenues and increased expenses related to COVID-19. The campuses received grants under the Higher Education Emergency Relief Fund (HEERF) to provide emergency financial aid to students and to mitigate the impacts of lost revenue and additional technology expenses associated with moving to online education. For the year ended June 30, 2022, the medical centers and the faculty practices received grants under the CARES Act Provider Relief Fund for lost revenues and health care related expenses related to operational changes to prepare for treating patients with COVID-19.

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

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

Student tuition and fees. Substantially all student tuition and fees provide for the current operations of the University. A small portion of the student fees, reported as capital gifts and grants, is required for debt service associated with student unions and recreational centers.

The University recognizes scholarship allowances as the difference between the stated charge for tuition and fees, housing and dining charges, recreational center and other fees, and the amount that is paid by the student and third parties on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances are netted against student tuition and fees in the statements of revenues, expenses and changes in net position for the years ended June 30 as shown in Table 1.3:

Table 1.3: Scholarship Allowances

(in thousands of dollars)	**2023**	**2022**
Student tuition and fees	$1,448,823	$1,438,784
Auxiliary enterprises	317,042	277,501
Other operating revenues	17,794	19,318
Scholarship allowances	**$1,783,659**	**$1,735,603**

State appropriations. The state of California provides appropriations to the University on an annual basis. State educational appropriations are recognized as nonoperating revenue; however, the related expenses for educational, retirement or other specific operating purposes are reported as operating expenses. State appropriations for capital projects are recorded as revenue under other changes in net position when the related expenditures are incurred. Special state appropriations for research related to AIDS, tobacco and breast cancer are reported as state grants and contracts operating revenue.

Grant and contract revenue. The University receives grant and contract revenue from governmental and private sources. The University recognizes revenue associated with the direct costs of sponsored programs as the related expenditures are incurred. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with the University's federal cognizant agency, the U.S. Department of Health and Human Services. For the year ended June 30, 2023, the facilities and administrative cost recovery totaled $1.6 billion, which consisted of $1.1 billion from federally sponsored programs and $509.9 million from other sponsors. For the year ended June 30, 2022, the facilities and administrative cost recovery totaled $1.4 billion, which consisted of $981.0 million from federally sponsored programs and $444.9 million from other sponsors.

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

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

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

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

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

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

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

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

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

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

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

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

Compensated absences. The University accrues annual leave, including employer-related costs, for employees at rates based upon length of service and job classification and compensatory time based upon job classification and hours worked.

Endowment spending. Under provisions of California law, the Uniform Prudent Management of Institutional Funds Act allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of University programs.

Custodial external investment pool funds. Custodial funds represent assets held in the University's investment pools on behalf of associated organizations that are not part of the University's financial reporting entity. As a result, these funds are reported as fiduciary activities in the University's financial statements.

Tax exemption. The University is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), except for tax on unrelated business income under IRC Section 511. The University is also exempt from federal income tax under IRC Section 115(a) as a state institution. In addition, the University is exempt from state income taxes imposed under the California Revenue and Taxation Code. UCRS plans are qualified under IRC Section 401(a) and the related trusts are tax-exempt under Section 501(c)(3). The campus foundations are also qualified for tax exemption under IRC Section 501(c)(3). CHRCO and its component unit, the Children's Hospital and Research Center Foundation, are qualified for exemption under IRC Section 501(c)(3). Income received by UCRHBT is tax-exempt under IRC Section 115(a).

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

New accounting pronouncements

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). The Statement addresses issues that have been identified during implementation and application of certain GASB Statements. Upon the issuance of GASB 99, The University adopted the requirements related to extension of the use of London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of non-monetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB 34, as amended, and terminology updates related to GASB 53 and GASB 63. The requirements related to leases, public-private and public-public partnerships (PPPs), and subscription-based information technology arrangements (SBITAs) have been adopted by the University, and are effective for the University's fiscal year 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB 53 are effective for the University's fiscal year 2024. The University is evaluating the effect these requirements will have on its financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections — an amendment of GASB Statement No. 62* (GASB 100), effective for the University's fiscal year beginning July 1, 2023. The Statement requires disclosures of descriptive information about accounting changes and error corrections and addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information and supplementary information. As GASB Statement No. 100 is based on an unknown possible future event, materiality cannot be determined. The University will continue to evaluate for any potential impact in the future.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* (GASB 101), effective for the University's fiscal year beginning July 1, 2024. The Statement replaces Statement No. 16, *Accounting for Compensated Absences*, to align recognition and measurement guidance for all types of compensated absences under a unified model. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The Statement also establishes guidance for measuring a liability for leave that has not been used. As of June 30, 2023, the University reported compensated absences liability of $1.3 billion. Under GASB 101, the University's compensated absences liability is expected to increase. The University is evaluating the full effect that GASB 101 will have on its financial statements.

2. CASH AND CASH EQUIVALENTS

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

Under University policy, deposits are only held at financial institutions that maintain an issuer rating on long-term debt of A3 or higher by Moody's Investors Service (Moody's), A- or higher by Standard & Poors (S&P) or an Asset Peer Group rating of 65 or higher as defined by Sheshunoff Bank Rating Reports. At June 30, 2023 and 2022, the carrying amount of the University's cash and cash equivalents, generally held in five nationally recognized banking institutions, was $0.6 billion and $1.1 billion, respectively, compared to bank balances of $257.7 million and $300.0 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. The University's deposits are uninsured and uncollateralized except for bank balances insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable statutory limits.

The University does not have significant exposure to foreign currency risk in demand deposit accounts. Accounts held in foreign countries maintain minimum operating balances with the intent to reduce potential foreign exchange risk while providing an adequate level of liquidity to meet the obligations of the academic programs established abroad. The equivalent U.S. dollar balances required to support research groups and education abroad programs in foreign countries was $20.2 million at June 30, 2023 and $25.0 million at June 30, 2022.

The carrying amount of the campus foundations' cash and cash equivalents at June 30, 2023 and 2022 was $272.4 million and $575.6 million, respectively, compared to bank balances of $94.6 million and $197.7 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. Included in cash and cash equivalents are deposits in the University's Short Term Investment Pool of $176.7 million at June 30, 2023 and $377.7 million at June 30, 2022, with the remaining uncollateralized bank balances insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable statutory limits. Uncollateralized bank balances include $44.9 million and $96.3 million in excess of the FDIC limits at June 30, 2023 and 2022, respectively. The campus foundations do not have exposure to foreign currency risk in their cash and cash equivalents. Included in the campus foundations' cash and cash equivalents is $3.7 million and $13.2 million, as of June 30, 2023 and 2022, respectively, held by the respective foundations in STIP.

3. INVESTMENTS

The Regents, as the governing board of the University, is responsible for the oversight of the University's, UCRS' and UCRHBT's investments and establishes an investment policy, which is carried out by the Chief Investment Officer (CIO). These investments are associated with Short Term Investment Pool (STIP), Total Return Investment Pool (TRIP), Blue and Gold Pool (BGP), General Endowment Pool (GEP), UCRS, UCRHBT and other investment pools managed by the CIO, or are separately invested. Pursuant to The Regents' policies on campus foundations, the Board of Trustees for each campus foundation may determine that all or a portion of their investments will be managed by the CIO. Asset and Risk Allocation Policy guidelines are provided to the campus foundations by the Investments Committee of The Regents.

STIP allows participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities and is managed to maximize current earned income. Cash to provide for payroll, construction expenditures and other operating expenses for campuses and medical centers is invested in STIP. The available cash in UCRS or endowment investment pools awaiting investment, or cash for administrative expenses, is also invested in STIP.

Investments authorized by The Regents for STIP include fixed-income securities with a maximum maturity of one year. In addition, for STIP, The Regents has also authorized loans, primarily to faculty members residing in California, under the University's Mortgage Origination Program with terms of up to 40 years.

TRIP allows participants the opportunity to maximize the return on their intermediate-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. Investments authorized by The Regents for TRIP include a diversified portfolio of equity, fixed-income and alternative investments.

BGP is an investment pool whose objective is to provide a low-cost, liquid, diversified investment vehicle to invest long-term excess reserves to earn a higher return than would otherwise be expected from STIP and TRIP. To achieve liquidity, transparency and minimal expense, a passive investment strategy in equities and bonds is used.

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

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

Investments authorized by The Regents for BGP, GEP, UCRS, other investment pools and separate investments include equity securities, fixed-income securities and certain other asset classes. The equity portion of the investment portfolios include both domestic and foreign common and preferred stocks which may be included in actively or passively managed strategies, along with exposure to private equities. The University's investment portfolios may include foreign currency-denominated equity securities. The fixed-income portion of the investment portfolios may include both domestic and foreign securities, along with certain securitized investments, including mortgage-backed and asset-backed securities. Fixed-income investment guidelines permit the use of futures and options on fixed-income instruments in the ongoing management of the portfolios. Real estate investments are authorized for all pools except STIP. Absolute return strategies, which may incorporate short sales, plus derivative positions to implement or hedge an investment position, are also authorized for all pools except STIP.

Derivative instruments, including futures, forward contracts, options and swap contracts are authorized for portfolio rebalancing in accordance with The Regents' asset allocation policy and as substitutes for physical securities. Derivatives are not used for speculative purposes.

The Regents has also authorized certain employee account balances in defined contribution plans included as part of UCRS' investments to be invested in mutual funds. The participants' interests in mutual funds are not managed by the CIO and totaled $2.4 billion and $2.0 billion at June 30, 2023 and 2022, respectively.

Investments authorized by The Regents for the UCRHBT are restricted to a portfolio of high-quality money market instruments in a commingled fund that is managed externally. The average credit quality of the portfolio is A-1/P-1 with an average maturity of 15 days and 14 days at June 30, 2023 and 2022, respectively. The fair values of UCRHBT's investment in this portfolio were $176.8 million and $164.2 million at June 30, 2023 and 2022, respectively. These are measured at net asset value as of June 30, 2023 and 2022, respectively.

The composition of investments, by investment type at June 30 is shown in Table 3.1:

Table 3.1: Composition of Investments By Investment Type

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA 2023	UNIVERSITY OF CALIFORNIA 2022	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS 2023	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS 2022	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2023	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2022
Equity securities	**$15,479,559**	**$12,242,327**	**$85,519**	**$180,715**	**$58,291,786**	**$50,442,124**
Fixed- or variable-income securities:						
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	6,369,175	5,727,621	546,959	247,386	6,043,002	5,260,326
U.S. Treasury strips	494,506	497,890	220	233	273,583	274,119
U.S. TIPS			1,961		1,345,010	1,439,960
U.S. government-backed securities			9,189	10,706		3,000
U.S. government-backed mortgage-backed securities			6,684	7,567	291,765	308,249
U.S. government-guaranteed	**6,863,681**	**6,225,511**	**565,013**	**265,892**	**7,953,360**	**7,285,654**
Other U.S. dollar-denominated:						
Corporate bonds	1,842,575	1,719,062	218,795	185,303	5,101,068	5,354,358
Commercial paper	5,736,866	4,752,465	0			
U.S. agencies	2,454,450	4,366,622	8,115	982	3,349,663	3,635,557
U.S. agencies - asset-backed securities	1,096	1,424	66,824	111,537	1,044,556	1,203,920
Corporate - asset-backed securities			17,865	29,513	28,918	47,678
Supranational/foreign	959,302	870,170	0		2,436,884	2,898,165
Other	2,620	3,197	58,773	13,308	18,591	25,123
Other U.S. dollar-denominated	**10,996,909**	**11,712,940**	**370,372**	**340,643**	**11,979,680**	**13,164,801**
Foreign currency-denominated:						
Government/sovereign			934	923		
Foreign currency-denominated			**934**	**923**		
Commingled funds:						
Absolute return funds	1,014,215	1,548,808	3,059,939	2,878,844	1,779,371	2,843,897
Non-U.S. equity funds	1,633,719	2,536,050	848,191	886,228	4,101,538	6,824,969
Private equity	4,619,151	4,467,398	2,838,595	2,611,463	9,232,758	8,746,627
Private credit	1,066,727	782,608			3,084,346	2,127,956
Money market funds	400,554	1,229,944	1,967,321	1,503,702	5,347,602	3,174,888
U.S. equity funds	3,204	2,367	1,817,247	1,453,650	2,880,961	2,489,916
Real estate investment trusts	2,485,523	928,473	239,205	235,052	6,167,824	3,395,281
Real assets	747,767	627,833	80,324	105,822	4,032,506	3,333,596
U.S. bond funds	4,822	4,897	175,045	161,548	14,475	101,827
Non-U.S. bond funds	73	79	20,180	20,161	11	11
Balanced funds	315,156	316,380	2,805,385	2,614,349		
Commingled funds	**12,290,911**	**12,444,837**	**13,851,432**	**12,470,819**	**36,641,392**	**33,038,968**
Other investments:						
Investment derivatives	(774)	440	9,182	8,474	15,235	9,535
Publicly traded real estate investment trusts	514,950	330,113			2,126,913	2,810,741
Mortgage loans	685,634	768,948				
Real estate	262,717	747,135	279,956	189,855	1,242,310	1,811,614
Other investments	154,642	10,263	442,357	391,776	548,539	576,364
Campus foundations' investments with the University	(4,414,014)	(3,843,090)				
UCRS investment in STIP	(2,030,439)	(2,441,046)				
Custodial investment funds	(457,450)	(521,389)	(716,452)	(716,599)		
Other investments	**(8,021,653)**	**(5,284,734)**	**(48,925)**	**15,043**	**3,932,997**	**5,208,254**
Total investments	**37,609,407**	**37,340,881**	**14,824,345**	**13,274,035**	**$118,799,215**	**$109,139,801**
Less: Current portion	(9,946,972)	(11,178,413)	(1,788,817)	(1,213,678)		
Noncurrent portion	**$27,662,435**	**$26,162,468**	**$13,035,528**	**$12,060,357**		

Investment Risk Factors

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

Credit Risk

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

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

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

The investment guidelines for STIP recognize that a limited amount of credit risk, properly managed and monitored, is prudent and provides incremental risk-adjusted return over its benchmark. The combined benchmark for STIP is a 50/50 weighted average of the yield on a constant maturity one-year U.S. Treasury Note and U.S. 30-day Treasury Bills.

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

The core fixed-income benchmark for UCRSP is the Bloomberg MSCI US Aggregate ex-Tobacco ex-Fossil Fuels Index, comprised of 24.8 percent corporate bonds, 4.0 percent non-corporate bonds, and 29.1 percent mortgage/asset-backed bonds, all of which carry some degree of credit risk. The remaining 42.1 percent is government-issued bonds. The core fixed-income benchmark for TRIP, BGP, UCRP and GEP is the Bloomberg 1-5 Year US Government/Credit Index, comprised of 27.0 percent corporate bonds and 5.7 percent non-corporate bonds, all of which carry some degree of credit risk. The remaining 67.3 percent is government-issued bonds.

Credit risk is managed primarily by diversifying across issuers. The University monitors and reviews its exposures on an ongoing basis and will maintain a high-quality portfolio within its investment guidelines.

The credit risk profile for fixed- or variable-income securities at June 30 is shown in Table 3.2:

Table 3.2: Credit Risk Profile

	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
(in thousands of dollars)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Fixed- or variable-income securities:						
U.S. government-guaranteed	$6,863,681	$6,225,511	$565,013	$265,892	$7,953,360	$7,285,654
Other U.S. dollar-denominated:						
AAA	755,713	339,500	101,419	146,260	1,314,520	1,366,474
AA	1,170,961	208,034	1,174	2,493	2,993,842	3,204,668
A	1,018,435	899,402	14,708	16,178	1,706,959	1,631,884
BBB	1,210,656	1,133,755	31,861	22,437	2,231,120	2,295,010
BB	8,894	11,578	80,548	59,925	1,206,753	1,602,838
B			76,568	63,776	1,072,912	1,312,090
CCC or below			8,973	12,931	278,493	386,029
A1/P1/F1				813		
Not rated	6,832,250	9,120,671	55,121	15,830	1,175,081	1,365,808
Foreign currency-denominated:						
BBB			934	923		
Commingled funds:						
U.S. bond funds: not rated	4,822	4,897	175,045	161,548	14,475	101,827
Non-U.S. bond funds: not rated	73	79	20,180	20,161	11	11
Money market funds: not rated	400,554	1,229,944	1,967,321	1,503,702	5,347,602	3,174,888
Other investments:						
Mortgage loans: not rated	934,755	685,634				

Custodial Credit Risk

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

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

Concentration of Credit Risk

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

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

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

At June 30, 2023 and 2022, no single issuer comprised more than 5 percent of investments held by the University, campus foundations or UCRS, excluding US government securities.

Interest Rate Risk

Interest rate risk is the risk that the value of fixed-income securities will decline because of changing interest rates. The prices of fixed-income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 1-percentage-point change in the level of interest rates. Interest rate risk for STIP is managed by constraining the maturity of all individual securities to be less than or equal to three years. There is no restriction on weighted average maturity of the portfolio as it is managed relative to the liquidity demands of the investors. The nature and maturity of individual securities in STIP allow for the use of weighted average maturity as an effective risk management tool, rather than the more complex measure, effective duration.

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

The effective durations for fixed- or variable-income securities at June 30 are shown in Table 3.3:

Table 3.3: Effective Durations for Fixed- or Variable-Income Securities

	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
(in thousands of dollars)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Fixed- or variable-income securities:						
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	2.2	2.0	1.2	2.8	4.4	4.9
U.S. Treasury strips	2.2	3.0	11.6	12.6	1.5	2.3
U.S. TIPS			3.7		4.8	5.2
U.S. government-backed securities				3.4		15.2
U.S. government-backed mortgage-backed securities				0.8	5.3	5.6
Other U.S. dollar-denominated:						
Corporate bonds	2.6	2.9	1.5	2.4	3.6	4.2
Commercial paper						
U.S. agencies	0.4		0.9	0.7	1.8	2.5
U.S. agencies - asset-backed securities	3.0	3.1		3.2	5.5	5.7
Corporate - asset-backed securities				0.8	3.2	3.6
Supranational/foreign	2.6	2.7			3.8	4.6
Other	2.2	2.2	1.5	1.9	6.6	5.9
Foreign currency-denominated:						
Government/sovereign				1.4		
Commingled funds:						
U.S. bond funds	6.5	6.3	4.1	4.1	12.8	15.3
Non-U.S. bond funds			7.2	6.4	7.3	7.4
Money market funds*			0.2			

**Foundation investment in STIP*

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

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

At June 30, the fair values of such investments are shown in Table 3.4:

Table 3.4: Fair Value of Certain Investments

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA 2023	UNIVERSITY OF CALIFORNIA 2022	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS 2023	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS 2022	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2023	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2022
Mortgage-backed securities	$1,096	$1,424	$17,561	$20,678	$1,317,804	$1,488,684
Collateralized mortgage obligations			55,947	99,158	38,834	59,903
Other asset-backed securities			17,811	21,297	8,603	13,192
Variable-rate securities	477,247	391,944			969,924	926,255
Callable bonds	3,188,258	1,545,443			8,882,743	9,228,606
Structured notes	475,549	387,687			2,123,743	2,135,684
Convertible bonds					5,558	8,628
Total	**$4,142,150**	**$2,326,498**	**$91,319**	**$141,133**	**$13,347,209**	**$13,860,952**

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

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

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

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

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

At June 30, the effective durations for these securities are shown in Table 3.5:

Table 3.5: Effective Durations for Certain Securities

(in years)	UNIVERSITY OF CALIFORNIA 2023	UNIVERSITY OF CALIFORNIA 2022	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS 2023	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS 2022	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2023	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2022
Mortgage-backed securities	3.0	3.1	3.9	4.8	5.5	5.6
Collateralized mortgage obligations			2.7	2.7	4.9	4.6
Other asset-backed securities			1.0	1.0	2.3	3.0
Structured notes	2.9	2.9			4.1	4.5
Variable-rate securities	2.9	2.9			3.4	3.7
Callable bonds	1.8	2.9			3.0	3.8
Convertible bonds					2.7	1.2

Foreign Currency Risk

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

At June 30, the foreign currency risk expressed in U.S. dollars, organized by currency denomination and investment type, is shown in Table 3.6:

Table 3.6: Foreign Currency Risk

	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
(in thousands of dollars)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Equity securities:						
Euro	$1,017,777	$948,524			$4,140,709	$3,583,138
British Pound	377,956	352,670			1,572,528	1,524,885
Japanese Yen	634,106	538,725			2,777,226	2,274,298
Canadian Dollar	288,019	254,613			1,259,656	1,104,907
Swiss Franc	289,691	294,989			1,190,684	1,175,627
Australian Dollar	172,971	151,452			750,052	668,166
Hong Kong Dollar	308,053	348,065			1,263,430	1,411,985
Swedish Krona	131,074	104,246			501,419	388,760
Singapore Dollar	30,289	34,868			128,444	146,095
Danish Krone	87,870	64,140			383,130	268,998
Norwegian Krone	19,150	17,904			81,231	86,732
South Korean Won	154,155	142,234			620,747	599,674
Brazilian Real	59,632	40,484			242,620	158,875
Indian Rupee	348,233	283,343	$19,614	$18,903	1,159,985	966,269
Taiwan New Dollar	204,663	190,207			837,109	794,538
South African Rand	38,475	36,988			149,216	142,802
Thai Baht	21,340	24,131			88,964	102,019
Mexican Peso	31,070	20,958			122,041	80,980
Chinese Yuan Renminbi	40,154	102,525			181,082	415,950
Other	189,070	169,245	19	231	755,048	745,514
Subtotal	**4,443,748**	**4,120,311**	**19,633**	**19,134**	**18,205,321**	**16,640,212**
Fixed-income securities:						
Mexican Peso			934	923		
Subtotal			**934**	**923**		
Commingled funds (various currency denominations):						
Absolute return funds	3,493	3,567	955,057	908,232		
Non-U.S. equity funds	1,633,719	2,536,050	834,984	886,228	4,101,538	6,824,969
Private equity	21,991	151,485	546,022	474,871	227,961	451,283
Private credit					307,747	
Real estate investment trusts			12,632	9,324		
Real assets	13,809	20,962	136,016	118,396	78,254	118,786
Non-U.S. bond funds	73	79	20,180	20,161	11	11
Balanced funds			150,497	216,471		
Subtotal	**1,673,085**	**2,712,143**	**2,655,388**	**2,633,683**	**4,715,511**	**7,395,049**
Investment derivatives:						
Australian Dollar		6			1	25
Canadian Dollar	10	14			73	101
British Pound						
Japanese Yen			11	(24)		
Hong Kong Dollar						1
Euro	30	8	15	(34)	89	684
Other	7	14	22	(103)	30	29
Subtotal	**47**	**42**	**48**	**(161)**	**193**	**840**
Publicly traded real estate investment trusts:						
Australian Dollar	13,877	12,662			58,495	52,726
Euro	7,428	6,739			30,323	29,188
British Pound	9,030	9,916			36,886	40,961
Japanese Yen	17,090	17,801			66,701	65,782
Singapore Dollar	7,148	7,166			30,718	30,363
Canadian Dollar	3,821	4,109			15,261	15,557
Other	13,951	6,925			43,506	27,408
Subtotal	**72,345**	**65,318**			**281,890**	**261,985**
Total exposure to foreign currency risk	**$6,189,225**	**$6,897,814**	**$2,676,003**	**$2,653,579**	**$23,202,915**	**$24,298,086**

The University’s Investment Pools

The composition of the University’s investments at June 30, 2023, by investment pool, is shown in Table 3.7a:

Table 3.7a: Composition of Investments by Investment Pool at June 30, 2023

	UNIVERSITY OF CALIFORNIA					
(in thousands of dollars)	**STIP**	**TRIP**	**BGP**	**GEP**	**OTHER**	**TOTAL**
Equity securities		$6,771,581	$2,137,502	$6,462,027	$108,449	$15,479,559
Fixed- or variable-income securities:						
U.S. government-guaranteed	$1,514,632	4,141,788	321,488	863,330	22,443	6,863,681
Other U.S. dollar-denominated	8,171,583	2,214,902	179,687	421,732	9,005	10,996,909
Commingled funds	198,732	121,373	26,435	11,340,980	603,391	12,290,911
Investment derivatives		1,470	409	540	32	2,451
Publicly traded real estate investment trusts		171,719	52,538	150,917	1,797	376,971
Mortgage loans	934,755					934,755
Real estate				157,738	32,606	190,344
Other investments				141,352	10,204	151,556
Subtotal	**10,819,702**	**13,422,833**	**2,718,059**	**19,538,616**	**787,927**	**47,287,137**
Campus foundations' investments with the University	(1,876,336)			(2,624,525)	(216,277)	(4,717,138)
UCRS investment in STIP	(4,365,490)					(4,365,490)
Custodial investment funds	(337,951)	(46,293)		(210,858)		(595,102)
Total investments	**$4,239,925**	**$13,376,540**	**$2,718,059**	**$16,703,233**	**$571,650**	**$37,609,407**

The composition of the University’s investments at June 30, 2022, by investment pool, is shown in Table 3.7b:

Table 3.7b: Composition of Investments by Investment Pool at June 30, 2022

	UNIVERSITY OF CALIFORNIA					
(in thousands of dollars)	**STIP**	**TRIP**	**BGP**	**GEP**	**OTHER**	**TOTAL**
Equity securities		$5,351,785	$1,676,889	$5,058,582	$155,071	$12,242,327
Fixed- or variable-income securities:						
U.S. government-guaranteed	$1,218,255	3,980,506	320,510	679,849	26,391	6,225,511
Other U.S. dollar-denominated	9,100,236	2,106,958	163,315	332,982	9,449	11,712,940
Commingled funds	982,998	118,256	30,381	10,785,915	$527,287	12,444,837
Investment derivatives		59	(97)	(852)	116	(774)
Publicly traded real estate investment trusts		165,911	52,584	294,587	1,868	514,950
Mortgage loans	685,634					685,634
Real estate				231,953	30,764	262,717
Other investments				144,381	10,261	154,642
Subtotal	**11,987,123**	**11,723,475**	**2,243,582**	**17,527,397**	**761,207**	**44,242,784**
Campus foundations' investments with the University	(1,789,434)			(2,412,224)	(212,356)	(4,414,014)
UCRS investment in STIP	(2,030,439)					(2,030,439)
Custodial investment funds	(54,745)	(9,675)		(393,030)		(457,450)
Total investments	**$8,112,505**	**$11,713,800**	**$2,243,582**	**$14,722,143**	**$548,851**	**$37,340,881**

The total investment returns based upon unit values, representing the combined income plus net appreciation or depreciation in the fair value of investments, for the year ended June 30, 2023 were 8.6 percent for TRIP, 13.3 percent for BGP, 8.2 percent for GEP and 10.1 percent for UCRP. The total investment returns based upon unit values, representing the combined income plus net appreciation or depreciation in the fair value of investments, for the year ended June 30, 2022, were (11.3) percent for TRIP, (15.2) percent for BGP, (7.6) percent for GEP and (10.8) percent for UCRP. The investment return for STIP distributed to participants, representing combined income and realized gains or losses, during the same periods, was 2.8 percent and 0.4 percent, respectively. Other investments consist of numerous small portfolios of investments or individual securities, each with its own individual rate of return.

Related Party Relationships with the University

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

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

Campus Foundations

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

The fair value of the campus foundations' cash and cash equivalents and investments that are invested with the University, by investment pool, at June 30 are shown in Table 3.8:

Table 3.8: Fair Value of the Foundations' Cash, Cash Equivalents, Investments

(in thousands of dollars)	2023	2022
STIP	$1,876,336	$1,789,434
GEP	2,624,525	2,412,224
Other investment pools	216,277	212,356
Campus foundations' investments with the University	**4,717,138**	**4,414,014**
Classified as cash and cash equivalents by campus foundations	(175,874)	(377,666)
Classified as investments by campus foundations	**$4,541,264**	**$4,036,348**

Investment income in the University's statements of revenues, expenses and changes in net position is net of income earned by, and distributed to, the campus foundations totaling $69.1 million and $10.7 million for the years ended June 30, 2023 and 2022, respectively.

UCRS

UCRS had $4.4 billion and $2.0 billion invested in STIP at June 30, 2023 and 2022, respectively. These investments are excluded from the University's statements of net position and are included in UCRS' statements of fiduciary net position. They are categorized as commingled money market funds in the composition of investments for UCRS. STIP investment income in the University's statements of revenues, expenses and changes in net position is net of income earned by, and distributed to, UCRS totaling $115.8 million and $5.0 million for the years ended June 30, 2023 and 2022, respectively.

External Investment Pools

STIP and GEP are external investment pools. The composition of their net position at June 30 is shown in Table 3.9:

Table 3.9: Composition of Net Position for STIP and GEP

	STIP	STIP	GEP	GEP
(in thousands of dollars)	2023	2022	2023	2022
Investments	$10,819,702	$11,987,123	$19,538,616	$17,527,397
Investment of cash collateral			636,169	745,454
Securities lending collateral			(636,169)	(745,454)
Other assets, net	5,530,511	4,889,070	1,043,224	700,340
Net position	**$16,350,213**	**$16,876,193**	**$20,581,840**	**$18,227,737**

Participants purchase or redeem shares in STIP at a constant value of $1 per share and purchase or redeem shares in GEP at the unitized value of the portfolio at the time of purchase or redemption. Actual income earned is allocated to participants based upon the number of shares held.

Other assets include amounts receivable for pension benefits from the campuses and medical centers of $5.5 billion and $5.0 billion at June 30, 2023 and 2022, respectively.

The changes in net position for STIP and GEP for the year ended June 30 are shown in Table 3.10:

Table 3.10: Changes in Net Position for STIP and GEP

	STIP	STIP	GEP	GEP
(in thousands of dollars)	**2023**	**2022**	**2023**	**2022**
Net position, beginning of year	$16,876,193	$16,129,790	$18,227,737	$19,095,006
Investment income	496,962	89,785	222,471	59,612
Net appreciation (depreciation) in fair value of investments	(11,702)	(708)	1,354,299	(1,576,316)
Net transfer to TRIP	(749,101)	(1,825)		
Transfers to BGP	(150,000)	(1,565,675)		
Participant contributions (withdrawals)	(112,139)	2,224,826	777,333	649,435
Net position, end of year	**$16,350,213**	**$16,876,193**	**$20,581,840**	**$18,227,737**

4. SECURITIES LENDING

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

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

Cash collateral received from the borrower is invested by lending agents, as agents for the University, in investment pools in the name of the University, with guidelines approved by the University. These investments are shown as investment of cash collateral in the statement of net position. At June 30, 2023 and 2022, the securities in these pools had a weighted average maturity of 3 days. The University records a liability for the return of the cash collateral shown as collateral held for securities lending in the statements of net position. Securities collateral received from the borrower is held in investment pools by the University's custodial bank.

At June 30, 2023 and 2022, the University had insignificant exposure to borrowers because the amounts the University owed the borrowers were substantially the same as the amounts the borrowers owed the University. The University is indemnified by its lending agents against any losses incurred as a result of borrower default.

The composition of the securities lending programs at June 30 is shown in Table 4.1:

Table 4.1: Composition of the Securities Lending Program

(in thousands of dollars)	**UNIVERSITY OF CALIFORNIA 2023**	**UNIVERSITY OF CALIFORNIA 2022**	**UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2023**	**UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2022**
SECURITIES LENT				
For cash collateral:				
Equity securities:				
Domestic	$1,260,717	$1,398,466	$5,454,648	$7,303,282
Foreign	207,478	179,530	772,168	985,499
Fixed-income securities:				
U.S. government-guaranteed	48,251	14,656	811,410	208,929
U.S. agency	43,502	44,235	638,693	41,733
Other U.S. dollar-denominated	317,106	455,184	775,060	1,491,655
Foreign currency-denominated			2,426	15,754
Lent for cash collateral	**1,877,054**	**2,092,071**	**8,454,405**	**10,046,852**
For securities collateral:				
Equity securities:				
Domestic	14	14	34	114
Foreign	275	51	67	3,656
Publicly traded real estate investment trusts:				
Publicly traded real estate investment trust		4		14
Fixed-income securities:				
U.S. government-guaranteed	5,290		2,773,493	
Other U.S. dollar-denominated				
Foreign currency-denominated				
Lent for securities collateral	**5,579**	**69**	**2,773,594**	**3,784**
Total securities lent	**$1,882,633**	**$2,092,140**	**$11,227,999**	**$10,050,636**
COLLATERAL RECEIVED				
Cash	$1,913,858	$2,162,521	$8,621,742	$10,400,999
Total cash collateral received	**1,913,858**	**2,162,521**	**8,621,742**	**10,400,999**
Securities	6,137	74	3,431,453	4,056
Total collateral received	**$1,919,995**	**$2,162,595**	**$12,053,195**	**$10,405,055**
INVESTMENT OF CASH COLLATERAL				
Fixed-income securities:				
Other U.S. dollar-denominated:				
Corporate bonds	$27,232	$17,195	$122,678	$82,805
Commercial paper	54,171	178,404	244,037	859,132
Repurchase agreements	1,195,531	1,049,001	5,385,771	5,038,685
Certificates of deposit/time deposits	645,778	919,375	2,909,169	4,427,382
Supranational/foreign	9,443		42,539	
Other liabilities, net*	(18,269)	(1,455)	(82,434)	(7,005)
Investment of cash collateral	**1,913,886**	**2,162,520**	**$8,621,760**	**$10,400,999**
Less: Current portion	(1,833,062)	(2,112,588)		
Noncurrent portion	**$80,824**	**$49,932**		

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

Investment Risk Factors

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

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

Credit Risk

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

The credit risk profile for fixed- or variable-income securities associated with the investment of cash collateral at June 30 is shown in Table 4.2:

Table 4.2: Credit Risk Profile

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA 2023	UNIVERSITY OF CALIFORNIA 2022	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2023	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2022
Fixed- or variable-income securities:				
Other U.S. dollar-denominated:				
AAA	$6,150		$27,703	
AA-	155,382	$164,341	699,982	$791,409
A+	302,612	420,084	1,363,238	2,022,977
A	100,831	191,569	454,237	922,526
A-1+	62,709	110,048	282,499	529,952
A-1 / A-2 / P-1/ F-1	105,647	228,932	475,931	1,102,455
Not rated	3,293		14,835	
Other liabilities, net*: not rated	(18,269)	(1,455)	(82,434)	(7,005)

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Investments in issuers other than U.S. government-guaranteed securities that represent 5 percent or more of the total investment of cash collateral at June 30 are shown in Table 4.3:

Table 4.3: Investment in Issuers Other Than U.S. Government-Guaranteed Securities that Represent 5 percent or more of the Total Investment of Cash Collateral

	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
(in thousands of dollars)	**2023**	**2022**	**2023**	**2022**
Goldman Sachs & Co.	$132,609		$597,391	
Citigroup Global Markets Inc.	151,735	$126,211	683,549	$607,789
JP Morgan Securities LLC		141,859		683,140
Barclays Bank PLC	296,637		1,336,321	

Interest Rate Risk

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

The weighted average maturity expressed in days for fixed- or variable-income securities associated with the investment of cash collateral at June 30 is shown in Table 4.4:

Table 4.4: Weighted Average Maturity

	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
(in days)	**2023**	**2022**	**2023**	**2022**
Fixed- or variable-income securities:				
Other U.S. dollar-denominated:				
Corporate bonds	1	1	1	1
Commercial paper	39	6	39	6
Repurchase agreements	2	3	2	3
Certificates of deposit/time deposits	4	5	4	5
Supranational/foreign	17		17	

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

At June 30, the fair value of investments that are considered to be highly sensitive to changes in interest rates is shown in Table 4.5:

Table 4.5: Fair Value of Investments Highly Sensitive to Interest Rate Changes

	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
(in thousands of dollars)	**2023**	**2022**	**2023**	**2022**
Other asset-backed securities	$9,443		$42,539	
Variable-rate investments	1,597,069	$1,741,837	7,194,641	$8,388,068
Total	**$1,606,512**	**$1,741,837**	**$7,237,180**	**$8,388,068**

At June 30, 2023 and 2022, the weighted average maturity expressed in days for asset-backed securities was less than 0.1 days and 1 day, respectively, and for variable-rate investments it was 1 day.

Foreign Currency Risk

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

5. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

An options contract gives the University the right to buy or sell a specified security or index at a fixed price during a specified period for a nonrefundable fee (the "premium"). The maximum loss to the University is limited to the premium originally paid for covered options. The University initially records premiums paid for the purchase of these options in the statements of net position as an investment which is subsequently adjusted to reflect the fair value of the options, with unrealized gains and losses included in the statements of revenues, expenses and changes in net position.

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

An interest rate swap is a contractual agreement entered into between the University and a counterparty under which each agrees to exchange periodic fixed or variable payments for an agreed period of time based upon a notional amount of principal or value of the underlying contract. The payments correspond to an equity index, an interest rate or currency. A credit default swap is an agreement whereby the seller will compensate the buyer in the event of a loan default. A swaption is an option granting its owner the right to enter into an underlying swap. The University considers its futures, forward contracts, options, credit default swaps, swaptions, rights, warrants and certain interest rate swaps to be investment derivatives.

As a means to lower the University's borrowing costs, when compared against fixed-rate bonds at the time of issuance, the University entered into interest rate swap agreements in connection with certain of its variable-rate Medical Center Pooled Revenue Bonds and General Revenue Bonds. The University determined certain of its interest rate swaps are derivative instruments that meet the criteria for an effective hedge. Certain of the interest rate swaps are considered hybrid instruments since, at the time of execution, the fixed rate on each of the swaps was off-market and the University received an upfront payment. As such, these swaps are each comprised of a derivative instrument, an at-the-market swap that is an effective hedge and a companion borrowing represented by the upfront payment. The unamortized amount of the borrowing under the companion instruments was $66.7 million and $71.7 million at June 30, 2023 and 2022, respectively.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, categorized by type, and the changes in fair value of such derivatives are shown in Tables 5.1a, 5.1b, and 5.1c:

University

Table 5.1a: Fair Value Balances and Notional Amounts of Derivative Instruments Outstanding for the University

(in thousands of dollars)	NOTIONAL AMOUNT	NOTIONAL AMOUNT	FAIR VALUE	FAIR VALUE	FAIR VALUE	CHANGES IN FAIR VALUE	CHANGES IN FAIR VALUE	CHANGES IN FAIR VALUE
CATEGORY	**2023**	**2022**	**CLASSIFICATION**	**2023**	**2022**	**CLASSIFICATION**	**2023**	**2022**
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	$100,670	$84,248	Investments	$2,374	($835)	Net appreciation (depreciation)	$12,217	($16,180)
Foreign equity futures:								
Long positions	643	1,712	Investments	10	(108)	Net appreciation (depreciation)	105	286
Futures contracts				**2,384**	**(943)**		**12,322**	**(15,894)**
Foreign currency exchange contracts:								
Long positions	23	27	Investments			Net appreciation (depreciation)	38	(5)
Short positions	3,512	3,806	Investments	11	114	Net appreciation (depreciation)	(93)	226
Foreign currency exchange contracts				**11**	**114**		**(55)**	**221**
Other:								
Stock rights/warrants			Investments	56	55	Net appreciation (depreciation)	302	(281)
Other				**56**	**55**		**302**	**(281)**
Total investment derivatives				**$2,451**	**($774)**		**$12,569**	**($15,954)**
CASH FLOW HEDGES								
Effective interest rate swaps:								
Pay fixed, receive variable	$1,760,550	$1,768,060	Other (liabilities)	$63,152	($1,178)	Deferred inflows (outflows)	$64,330	$153,004

Campus Foundations

Table 5.1b: Fair Value Balances and Notional Amounts of Derivative Instruments Outstanding for the Foundations

(in thousands of dollars)	NOTIONAL AMOUNT	NOTIONAL AMOUNT	FAIR VALUE	FAIR VALUE	FAIR VALUE	CHANGES IN FAIR VALUE	CHANGES IN FAIR VALUE	CHANGES IN FAIR VALUE
CATEGORY	**2023**	**2022**	**CLASSIFICATION**	**2023**	**2022**	**CLASSIFICATION**	**2023**	**2022**
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions		$11,747	Investments		$111	Net appreciation (depreciation)	$2,535	($3,317)
Foreign equity futures:								
Long positions	$10,885	5,174	Investments	$48	(145)	Net appreciation (depreciation)	997	(1,806)
Other:								
Options/swaptions		622	Investments	10,059	8,549	Net depreciation	(19,171)	(16,613)
Swaps	212,355	133,016	Investments			Net appreciation (depreciation)	24,271	(24,833)
Custodial investment funds					667			
Total investment derivatives				**$10,107**	**$9,182**		**$8,632**	**($46,569)**

UCRS

Table 5.1c: Fair Value Balances and Notional Amounts of Derivative Instruments Outstanding for UCRS

(in thousands of dollars)	NOTIONAL AMOUNT	NOTIONAL AMOUNT	FAIR VALUE	FAIR VALUE	FAIR VALUE	CHANGES IN FAIR VALUE	CHANGES IN FAIR VALUE	CHANGES IN FAIR VALUE
CATEGORY	**2023**	**2022**	**CLASSIFICATION**	**2023**	**2022**	**CLASSIFICATION**	**2023**	**2022**
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	$604,474	$637,932	Investments	$13,503	($4,501)	Net appreciation (depreciation)	$75,090	($107,392)
Foreign equity futures:								
Long positions	49,890	55,322	Investments	643	(2,252)	Net appreciation (depreciation)	7,826	(3,806)
Short positions							202	
Futures contracts				**14,146**	**(6,753)**		**83,118**	**(111,198)**
Foreign currency exchange contracts:								
Long positions	10,939	12,830	Investments	(225)	(272)	Net appreciation (depreciation)	3,014	(1,730)
Short positions	309,399	340,938	Investments	1,005	15,422	Net appreciation (depreciation)	(8,477)	32,903
Foreign currency exchange contracts				**780**	**15,150**		**(5,463)**	**31,173**
Other:								
Stock rights/warrants		168	Investments	309	1,138	Net appreciation (depreciation)	1,692	(3,380)
Other				**309**	**1,138**		**1,692**	**(3,380)**
Total investment derivatives				**$15,235**	**$9,535**		**$79,347**	**($83,405)**

Objectives and Terms of Hedging Derivative Instruments

The objectives and terms of the hedging derivative instruments outstanding at June 30, along with the credit rating of the associated counterparty, are shown in Table 5.2:

Table 5.2: Objectives and Terms of the Hedging Derivative Instruments Outstanding

(in thousands of dollars)		NOTIONAL AMOUNT	NOTIONAL AMOUNT	EFFECTIVE DATE	MATURITY DATE	CASH PAID OR RECEIVED	TERMS	COUNTERPARTY CREDIT RATING	FAIR VALUE	FAIR VALUE
TYPE	OBJECTIVE	2023	2022						2023	2022
UNIVERSITY										
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	$44,760	$48,905	2020	2032	None	Pay fixed 3.5897%; receive 58% of Federal Funds Rate + 0.564%	Aa1/A+	($1,515)	($3,476)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	28,245	31,610	2020	2030	None	Pay fixed 4.55%; receive 67% of Federal Funds Rate + 0.76%	Aa2/A+	(1,174)	(2,591)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	38,670	38,670	2020	2037	None	Pay fixed 4.625%; receive 67% of Federal Funds Rate + 0.797%	Aa2/A+	(5,176)	(7,385)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	54,495	54,495	2020	2043	None	Pay fixed 4.6935%; receive 67% of Federal Funds Rate + 0.861%	Aa2/A+	(8,938)	(14,193)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	400,000	400,000	2019	2023	None	Pay fixed 1.8982%; receive 70% of Federal Funds Rate + 0.0925%	Aa2/AA-	2,484	1,262
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	100,000	100,000	2019	2023	None	Pay fixed 1.9057%; receive 70% of Federal Funds Rate + 0.0925%	Aa2/AA-	619	306
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	100,000	100,000	2019	2023	None	Pay fixed 1.8980%; receive 70% of Federal Funds Rate + 0.0975%	Aa2/A+	622	322
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	50,000	50,000	2020	2045-2047	None	Pay fixed 4.741%; receive 67% of Federal Funds Rate + 0.902%	Aa2/A+	(12,151)	(15,203)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	500,000	500,000	2023	2039	None	Pay fixed 1.9817%; receive 70% of Federal Funds Rate	Aa2/AA-	22,757	273
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	100,000	100,000	2023	2039	None	Pay fixed 1.899%; receive 70% of Federal Funds Rate	Aa2/A+	5,487	952
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	344,380	344,380	2023	2048	None	Pay fixed 0.926% - 1.238%; receive 70% of Federal Funds Rate	A2/A,A2/A+	60,137	38,555
Interest rate swaps, net		**$1,760,550**	**$1,768,060**						**$63,152**	**($1,178)**

Hedging Derivative Instrument Risk Factors

Credit Risk

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

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

There are no collateral requirements related to the interest rate swap with the $44.8 million notional amount. Depending on the fair value and the counterparty credit rating for the swaps related to the Medical Center Pooled Revenue Bonds with the counterparty that is currently rated Aa2/A+ with a combined notional amount of $171.4 million, the University may be entitled to receive collateral to the extent the positive fair value exceeds $20.0 million. At June 30, 2023 and 2022, there was no collateral required.

Depending on the fair value and the counterparty credit rating for the swaps related to the General Revenue Bonds with the counterparty that is currently rated A2/A and A2/A with a combined notional amount of $344.4 million, the University may be entitled to receive collateral to the extent the positive fair value with the counterparty exceeds $50.0 million. At June 30, 2023 and 2022, there was no collateral required.

Depending on the fair value and the counterparty credit rating for the swap related to the General Revenue Bonds with the counterparty that is currently rated Aa2/A+ with a notional amount of $100.0 million, the University may be entitled to receive collateral to the extent the positive fair value with the counterparty exceeds $20.0 million. At June 30, 2023 and 2022, there was no collateral required.

Interest Rate Risk

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

Basis Risk

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

Termination Risk

There is termination risk for interest rate swaps associated with variable-rate bonds in the event of nonperformance by counterparties in an adverse market, resulting in cancellation of the synthetic interest rate and returning the interest rate payments to the variable interest rates on the bonds. In addition, depending on the agreement, certain interest rate swaps may be terminated if a counterparty's credit quality rating, as issued by Moody's or S&P, falls below certain thresholds. For the interest rate swap with the $44.8 million notional amount, the termination threshold is reached when the credit quality rating for either the underlying Medical Center Pooled Revenue Bonds or swap counterparty falls below Baa2 or BBB. For the swaps with the combined $171.4 million notional amount, the termination threshold is reached when the credit quality rating for the underlying Medical Center Pooled Revenue Bonds falls below Baa3/BBB-, or the interest rate swap counterparty's rating falls below Baa2 or BBB. For the swaps with a combined notional amount of $344.4 million with counterparties that are currently rated A2/A and A2/A, the termination threshold is reached when either the credit quality rating for the Medical Center Pooled Revenue Bonds or the swap counterparty's rating falls below Baa2 or BBB. Upon termination, the University may also owe a termination payment if there is a realized loss based on the fair value of each interest rate swap.

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

Rollover Risk

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

6. FAIR VALUE

Fair value is defined 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, certain derivatives and other assets that are valued using market information.

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

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

Not Leveled — Cash and cash equivalents including pending trades and settlements within various pools are not measured at fair value and, thus, are not subject to the fair value disclosure requirements.

Tables 6.1a, 6.1b and 6.1c summarize the investments and other assets reported at fair value within the fair value hierarchy as of June 30, 2023:

Table 6.1a: 2023 Investments and Other Assets Reported at Fair Value for the University

(in thousands of dollars)	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (Level 1)	OTHER OBSERVABLE INPUTS (Level 2)	UNOBSERVABLE INPUTS (Level 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$15,479,559	$15,478,254	$25	$1,280		
Fixed- or variable-income securities:						
U.S. government-guaranteed	6,863,681		6,863,681			
Other U.S. dollar-denominated	10,996,909		10,996,909			
Commingled funds	12,290,911	414,089	(21)	2,049,545	$9,795,861	$31,437
Investment derivatives	2,451	77	2,374			
Publicly traded real estate investment trusts	376,971	376,971				
Mortgage loans	934,755			934,755		
Real estate	190,344			33,127	157,217	
Other investments	151,556			151,556		
Campus foundations' investments with the University	(4,717,138)					(4,717,138)
UCRS investment in STIP	(4,365,490)					(4,365,490)
Custodial investment funds	(595,102)					(595,102)
Total investments	**$37,609,407**	**$16,269,391**	**$17,862,968**	**$3,170,263**	**$9,953,078**	**($9,646,293)**
Securities lending investments of cash collateral	**$1,913,886**		**$1,932,156**			**($18,270)**
Investments held by trustees	**$444,925**	**$183,267**	**$100,730**		**$2,157**	**$158,771**
Beneficial interests included in other noncurrent assets	**$54,756**			**$54,756**		

Table 6.1b: 2023 Investments and Other Assets Reported at Fair Value for the Foundations

(in thousands of dollars)	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (Level 1)	OTHER OBSERVABLE INPUTS (Level 2)	UNOBSERVABLE INPUTS (Level 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$85,519	$56,471	$297	$28,751		
Fixed- or variable-income securities:						
U.S. government-guaranteed	565,013		565,013			
Other U.S. dollar-denominated	370,372		370,318	54		
Foreign currency-denominated	934		934			
Commingled funds	13,851,432	937,256	403	116,166	$12,693,459	$104,148
Investment derivatives	48	48				
Real estate	308,288			38,193	270,095	
Other investments	338,641	4,303		1,964	330,524	1,850
Futures and options contracts	10,059		10,059			
Custodial investment funds	(705,961)	(9,024)	(12,896)	(1,613)	(347,455)	(334,973)
Total investments	**$14,824,345**	**$989,054**	**$934,128**	**$183,515**	**$12,946,623**	**($228,975)**
Beneficial interests included in other noncurrent assets	**$74,071**			**$74,071**		

Table 6.1c: **2023 Investments and Other Assets Reported at Fair Value for UCRS**

(in thousands of dollars)	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (Level 1)	OTHER OBSERVABLE INPUTS (Level 2)	UNOBSERVABLE INPUTS (Level 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$58,291,786	$58,287,558		$4,228		
Fixed- or variable-income securities:						
U.S. government-guaranteed	7,953,360		$7,953,360			
Other U.S. dollar-denominated	11,979,680	3,966	11,975,714			
Commingled funds	36,641,392	2,608,925	(14,927)	4,275,136	$30,988,707	($1,216,449)
Investment derivatives	15,235	4,817	10,418			
Publicly traded real estate investment trusts	2,126,913	2,126,913				
Other investments	548,539			367,396	181,143	
Real estate	1,242,310			845	1,241,465	
Total investments	**$118,799,215**	**$63,032,179**	**$19,924,565**	**$4,647,605**	**$32,411,315**	**($1,216,449)**
Securities lending investments of cash collateral	**$8,621,760**		**$8,704,194**			**($82,434)**

Tables 6.2a, 6.2b and 6.2c summarize the investments and other assets reported at fair value within the fair value hierarchy as of June 30, 2022:

Table 6.2a: **2022 Investments and Other Assets Reported at Fair Value for the University**

(in thousands of dollars)	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (Level 1)	OTHER OBSERVABLE INPUTS (Level 2)	UNOBSERVABLE INPUTS (Level 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$12,242,327	$12,195,282	$796	$46,249		
Fixed- or variable-income securities:						
U.S. government-guaranteed	6,225,511		6,225,511			
Other U.S. dollar-denominated	11,712,940		11,712,940			
Commingled funds	12,444,837	1,411,312	55	469,782	$10,737,769	($174,081)
Investment derivatives	(774)	4,479	(5,253)			
Publicly traded real estate investment trusts	514,950	514,950				
Mortgage loans	685,634			685,634		
Real estate	262,717			31,951	230,766	
Other investments	154,642			154,642		
Campus foundations' investments with the University	(4,414,014)					(4,414,014)
UCRS investment in STIP	(2,030,439)					(2,030,439)
Custodial investment funds	(457,450)					(457,450)
Total investments	**$37,340,881**	**$14,126,023**	**$17,934,049**	**$1,388,258**	**$10,968,535**	**($7,075,984)**
Securities lending investments of cash collateral	**$2,162,520**		**$2,163,975**			**($1,455)**
Investments held by trustees	**$534,301**	**$389,806**	**$49,369**		**$14,094**	**$81,032**
Beneficial interests included in other noncurrent assets	**$50,679**			**$50,679**		

Table 6.2b: 2022 Investments and Other Assets Reported at Fair Value for the Foundations

(in thousands of dollars)	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (Level 1)	OTHER OBSERVABLE INPUTS (Level 2)	UNOBSERVABLE INPUTS (Level 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$180,715	$149,315	$3,807	$27,593		
Fixed- or variable-income securities:						
U.S. government-guaranteed	265,892		265,892			
Other U.S. dollar-denominated	340,643		340,589	54		
Foreign currency-denominated	923		923			
Commingled funds	12,470,819	814,996	443	171,451	$11,084,638	$399,291
Investment derivatives	9,182	(50)	9,232			
Real estate	279,956		902	30,430	248,624	
Other investments	442,357	4,324		2,528	432,497	3,008
Custodial investment funds	**(716,452)**	**(6,756)**	**(11,050)**	**(1,810)**	**(360,453)**	**(336,383)**
Total investments	**$13,274,035**	**$961,829**	**$610,738**	**$230,246**	**$11,405,306**	**$65,916**
Beneficial interests included in other noncurrent assets	**$77,314**			**$77,314**		

Table 6.2c: 2022 Investments and Other Assets Reported at Fair Value for UCRS

(in thousands of dollars)	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (Level 1)	OTHER OBSERVABLE INPUTS (Level 2)	UNOBSERVABLE INPUTS (Level 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$50,442,124	$50,442,124				
Fixed- or variable-income securities:						
U.S. government-guaranteed	7,285,654		$7,285,654			
Other U.S. dollar-denominated	13,164,801	9,096	13,155,705			
Commingled funds	33,038,968	1,206,712	1,115	$1,043,286	$30,447,598	$340,257
Investment derivatives	9,535	21,664	(12,129)			
Publicly traded real estate investment trusts	2,810,741	2,810,741				
Other investments	576,364			379,465	196,899	
Real estate	**1,811,614**			**1,379**	**1,810,235**	
Total investments	**$109,139,801**	**$54,490,337**	**$20,430,345**	**$1,424,130**	**$32,454,732**	**$340,257**
Securities lending investments of cash collateral	**$10,400,999**		**$10,407,997**			**($6,998)**

Tables 6.3a, 6.3b and 6.3c present significant terms of certain investments at June 30, 2023:

Table 6.3a: Significant Terms of Investments for the University

(in thousands of dollars) INVESTMENT TYPE	FAIR VALUE	UNFUNDED COMMITMENTS	REMAINING LIFE (YEARS)	REDEMPTION TERMS AND RESTRICTIONS
Absolute return	$1,014,215			Not eligible for redemption and lock-up provisions ranging from 0 to 3 years. For securities not eligible for redemption, the underlying assets are estimated to be liquidated within 3 to 5 years. For securities eligible for redemption, after initial lock-up expires, the redemption is available on a rolling basis and requires 30 to 365 days' prior notification.
Private equity	4,619,151	$1,424,562	0 to 15	Not eligible for redemption.
Private credit	1,066,727	101,050	0 to 10	Not eligible for redemption and lock-up provisions ranging from 0 to 10 years. For securities not eligible for redemption, the underlying assets are estimated to be liquidated within 3 to 7 years. For securities eligible for redemption, after initial lock-up expires, the redemption is available on a rolling basis and requires 30 to 365 days' prior notification before winding down.
Real assets	747,767	140,906	0 to 15	Not eligible for redemption.
Real estate and real estate investment trusts	2,675,867	273,767	0 to 10	Closed-end funds are not eligible for redemption. For open-end funds, redemption is generally on a quarterly basis where the redemption date is the last day of each quarter. Payments of withdrawal requests are generally made within four quarters.
U.S. equity funds	3,204			Redemption generally requires at least 0 to 90 days' written notice of intention to terminate as of a date specified in the notice. Payments of withdrawal requests are generally made within 0 to 120 days.
Non-U.S. equity funds	1,633,719			Redemption requires at least 0 to 180 days' written notice of intention to terminate as of a date determined by the legal agreement between the investment manager and The Regents. Withdrawals may occur on the last business day of the month and are subject to certain withdrawal guidelines.
Balanced funds	315,156			Redemption requires at least 12 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.

Table 6.3b: Significant Terms of Investments for the Foundations

(in thousands of dollars) INVESTMENT TYPE	FAIR VALUE	UNFUNDED COMMITMENTS	REMAINING LIFE (YEARS)	REDEMPTION TERMS AND RESTRICTIONS
Absolute return	$3,059,939	$14,758	0 to 1	Generally, lock-up provisions ranging from 0 to 3 years. After initial lock-up expires, redemptions are available and require 30 to 180 days' prior notification.
Private equity	2,838,595	568,123	0 to 15	Generally, lock-up provisions ranging from 0 to 16 years. After initial lock-up expires, redemptions are available and require 30 to 180 days' prior notification.
Real assets	80,324	7,923	0 to 12	Not eligible for redemption.
Real estate and real estate investment trusts	547,493	122,980	0 to 12	Not eligible for redemption.
U.S. equity and non-U.S. equity funds	2,665,438		0 to 15	Generally, lock-up provisions ranging from 0 to 4 years. After initial lock-up expires, redemptions are available and require 0 to 365 days' prior notification.

Table 6.3c: Significant Terms of Investments for UCRS

(in thousands of dollars) INVESTMENT TYPE	FAIR VALUE	UNFUNDED COMMITMENTS	REMAINING LIFE (YEARS)	REDEMPTION TERMS AND RESTRICTIONS
Absolute return	$1,779,371			Not eligible for redemption and lock-up provisions ranging from 0 to 3 years. For securities not eligible for redemptions the underlying assets are estimated to be liquidated within 3 to 5 years. For securities eligible for redemptions, after initial lock-up expires, redemptions are available on a rolling basis and require 30 to 365 days' prior notification.
Private equity	9,232,758	3,444,656	0 to 15	Not eligible for redemption.
Private credit	3,084,346	526,019	0 to 10	Not eligible for redemption and lock-up provisions ranging from 0 to 10 years. For securities not eligible for redemptions the underlying assets are estimated to be liquidated within 3 to 7 years. For securities eligible for redemptions, after initial lock-up expires, redemptions are available on a rolling basis and require 30 to 365 days' prior notification before winding down.
Real assets	4,032,506	795,481	0 to 15	Not eligible for redemption.
U.S. equity funds	2,880,961			Redemption generally requires at least 0 to 90 days written notice of intention to terminate as of a date specified in the notice. Payments of withdrawal requests are generally made within 0 to 120 days.
Non-U.S. equity funds	4,101,538			Redemption requires at least 0 to 180 days' prior written notice of intention to terminate as of a date determined by the legal agreement between the investment manager and The Regents. Withdrawals may occur on the last business day of the month and are subject to certain withdrawal guidelines.
Real estate and real estate investment trusts	7,410,134	523,457	0 to 10	Closed-end funds are not eligible for redemption. For open-end funds, redemptions are generally on a quarterly basis where the redemption date is the last day of each quarter. Payments of withdrawal requests are generally made within four quarters.

7. INVESTMENTS HELD BY TRUSTEES

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

Capital Projects

Proceeds from the sale of bonds for the design and construction of third-party blended component unit housing facilities are held by trustees. The fair value of these investments was $271.5 million and $461.8 million at June 30, 2023 and 2022, respectively. Substantially all of these investments are of a highly liquid, short-term nature.

8. ACCOUNTS RECEIVABLE

Accounts receivable and the allowance for uncollectible accounts are shown in Table 8.1:

Table 8.1: Accounts Receivable and the Allowance for Uncollectible Accounts

	UNIVERSITY							
(in thousands of dollars)	STATE AND FEDERAL GOVERNMENT	MEDICAL CENTERS	INVESTMENT SALES	PRIVATE GRANTS AND CONTRACTS	MEDICAL PROFESSIONAL FEES	OTHER	TOTAL	CAMPUS FOUNDATIONS
At June 30, 2023								
Accounts receivable	$1,001,618	$3,716,381	$594,299	$711,559	$695,098	$1,139,966	$7,858,921	$39,999
Allowance for uncollectible accounts	(18,359)	(607,888)		(49,341)	(186,888)	(66,532)	(929,008)	
Accounts receivable, net	**$983,259**	**$3,108,493**	**$594,299**	**$662,218**	**$508,210**	**$1,073,434**	**$6,929,913**	**$39,999**
At June 30, 2022								
Accounts receivable	$1,195,903	$3,174,266	$115,301	$629,119	$646,796	$1,171,544	$6,932,929	$33,325
Allowance for uncollectible accounts	(11,354)	(521,589)		(47,547)	(180,078)	(48,162)	(808,730)	
Accounts receivable, net	**$1,184,549**	**$2,652,677**	**$115,301**	**$581,572**	**$466,718**	**$1,123,382**	**$6,124,199**	**$33,325**

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

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

The allowance for uncollectible accounts has changed the following revenues for the University for the years ended June 30 as shown in Table 8.2:

Table 8.2: Allowance for Uncollectible Accounts

(In thousands of dollars)	**2023**	**2022**
Student tuition and fees	($9,426)	($2,682)
Grants and contracts:		
Federal	(1,383)	(1,550)
State	(7,751)	(1,954)
Private	(5,782)	(25,002)
Local	29	(562)
Medical centers	(339,734)	(217,683)
Educational activities	(50,310)	(23,683)
Auxiliary enterprises	(3,864)	(2,995)
Other operating revenues	(6,167)	(8,166)
Allowance for uncollectible accounts	**($424,388)**	**($284,277)**

9. PLEDGES RECEIVABLE

The composition of pledges receivable at June 30 is summarized in Table 9.1:

Table 9.1: Composition of Pledges Receivable

	UNIVERSITY OF CALIFORNIA	**UNIVERSITY OF CALIFORNIA**	**UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS**	**UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS**
(in thousands of dollars)	**2023**	**2022**	**2023**	**2022**
Total pledges receivable outstanding	$64,197	$92,488	$1,900,812	$1,429,468
Unamortized discount to present value	(372)	(248)	(170,341)	(118,716)
Allowance for uncollectible pledges	(10,061)	(10,524)	(79,773)	(82,310)
Total pledges receivable, net	**53,764**	**81,716**	**1,650,698**	**1,228,442**
Current portion of pledges receivable	(34,964)	(49,408)	(307,168)	(480,206)
Noncurrent portion of pledges receivable	**$18,800**	**$32,308**	**$1,343,530**	**$748,236**

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2023 and thereafter are shown in Table 9.2:

Table 9.2: Future Receipts Under Pledge Agreements

(in thousands of dollars)	**UNIVERSITY OF CALIFORNIA**	**UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS**
Year Ending June 30		
2024	$43,419	$357,558
2025	11,321	288,437
2026	4,954	234,982
2027	4,102	230,213
2028	121	194,899
2029-2033	30	354,690
Beyond 2033	250	240,033
Total payments on pledges receivable	**$64,197**	**$1,900,812**

10. NOTES AND MORTGAGES RECEIVABLE

The University's notes and mortgage receivable at June 30, 2023 and 2022 are shown in Table 10.1:

Table 10.1: Notes and Mortgage Receivable

(in thousands of dollars)	CURRENT	NONCURRENT NOTES	NONCURRENT MORTGAGES	TOTAL
At June 30, 2023				
Notes and mortgages receivable	$68,757	$324,984	$24,518	$349,502
Allowance for uncollectible amounts	(2,020)	(19,364)	(151)	(19,515)
Notes and mortgages receivable, net	**$66,737**	**$305,620**	**$24,367**	**$329,987**
At June 30, 2022				
Notes and mortgages receivable	$67,610	$323,667	$20,641	$344,308
Allowance for uncollectible amounts	(3,859)	(11,401)		(11,401)
Notes and mortgages receivable, net	**$63,751**	**$312,266**	**$20,641**	**$332,907**

11. CAPITAL ASSETS

The University's capital asset activity for the years ended June 30 is shown in Table 11.1:

Table 11.1: University's Capital Asset Activity

(in thousands of dollars)	2021	ADDITIONS / TRANSFERS	DISPOSALS	2022	ADDITIONS / TRANSFERS	DISPOSALS	2023
ORIGINAL COST							
Land	$1,477,442	$66,663		$1,544,105	$187,975	($12,706)	$1,719,374
Infrastructure	940,500	23,502		964,002	95,739		1,059,741
Buildings and improvements	47,281,574	2,622,051	($16,269)	49,887,356	1,456,693	(29,340)	51,314,709
Equipment, software and intangibles	9,617,372	648,053	(489,833)	9,775,592	789,688	(369,929)	10,195,351
Leases	2,947,422	354,914	(233,851)	3,068,485	520,974	(293,660)	3,295,799
Subscription-based IT arrangements		319,298		319,298	85,977	(9,155)	396,120
Libraries and collections	4,637,432	153,884	(18,845)	4,772,471	162,519	(20,648)	4,914,342
Special collections	605,639	12,526	(24)	618,141	30,690	(1,638)	647,193
Construction in progress	4,504,361	122,617		4,626,978	1,671,615	(33,630)	6,264,963
Capital assets, at original cost	**$72,011,742**	**$4,323,508**	**($758,822)**	**$75,576,428**	**$5,001,870**	**($770,706)**	**$79,807,592**
	2021	**DEPRECIATION AND AMORTIZATION**	**DISPOSALS**	**2022**	**DEPRECIATION AND AMORTIZATION**	**DISPOSALS**	**2023**
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure	$481,400	$30,085	($2,256)	$509,229	$32,471		$541,700
Buildings and improvements	20,435,269	1,511,091	(103,460)	21,842,900	1,551,388	($67,813)	23,326,475
Equipment, software and intangibles	6,740,830	659,947	(480,569)	6,920,208	717,228	(332,626)	7,304,810
Leases	556,855	283,005	(77,339)	762,521	289,968	(94,328)	958,161
Subscription-based IT arrangements		68,263		68,263	97,060	(9,155)	156,168
Libraries and collections	3,462,246	142,484	(24,847)	3,579,883	141,583	(5,095)	3,716,371
Accumulated depreciation and amortization	**$31,676,600**	**$2,694,875**	**($688,471)**	**$33,683,004**	**$2,829,698**	**($509,017)**	**36,003,685**
Capital assets, net	**$40,335,142**			**$41,893,424**			**$43,803,907**

Service concession arrangements, reported as buildings and improvements, are $278.7 million of original cost and $51.4 million of accumulated depreciation at June 30, 2023, and are $276.3 million of original cost and $43.9 million of accumulated depreciation at June 30, 2022.

12. SELF-INSURANCE AND OTHER LIABILITIES

The University's self-insurance, obligations under life income agreements and other liabilities at June 30, 2023 and 2022 are shown in Table 12.1:

Table 12.1: Self Insurance, Obligations Under Life Income Agreements and Other Liabilities

	UNIVERSITY OF CALIFORNIA				UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS			
	2023		2022		2023		2022	
(in thousands of dollars)	CURRENT	NONCURRENT	CURRENT	NONCURRENT	CURRENT	NONCURRENT	CURRENT	NONCURRENT
Self-insurance programs	$596,454	**$1,392,511**	$1,146,030	**$1,179,514**				
Obligations under life income agreements	1,331	**$32,891**	1,192	**$33,784**	$16,449	**$135,177**	$16,815	**$133,808**
Other liabilities:								
Compensated absences	880,488	$466,650	863,481	$504,283				
Accrued interest	217,607		203,914					
Fair value of interest rate swaps		63,151		1,178				
Short-term advances	3,955		88,369					
Other	924,016	351,978	973,393	451,821	123,226	44,130	135,793	39,251
Total	**$2,623,851**	**$881,779**	**$3,276,379**	**$957,282**	**$139,675**	**$44,130**	**$152,608**	**$39,251**

Self-Insurance Programs

Self-insured liabilities changed as shown in Table 12.2 for the years ended June 30:

Table 12.2: Self-Insured Liabilities

(in thousands of dollars)	MEDICAL MALPRACTICE	WORKERS' COMPENSATION	EMPLOYEE & STUDENT HEALTH CARE	GENERAL LIABILITY AND OTHER	TOTAL
Liabilities at June 30, 2022	$245,162	$854,774	$264,042	$961,566	$2,325,544
Claims incurred and changes in estimates	97,557	290,242	2,169,974	(564,801)	1,992,972
Claim payments	(66,005)	(86,210)	(2,121,260)	(56,076)	(2,329,551)
Liabilities at June 30, 2023	**$276,714**	**$1,058,806**	**$312,756**	**$340,689**	**$1,988,965**
Discount rate	**3.0%**	**3.0%**	**Undiscounted**	**3.0%**	
Liabilities at June 30, 2021	$233,803	$663,635	$178,448	$776,911	$1,852,797
Claims incurred and changes in estimates	55,705	269,523	2,033,906	248,764	2,607,898
Claim payments	(44,346)	(78,384)	(1,948,312)	(64,109)	(2,135,151)
Liabilities at June 30, 2022	**$245,162**	**$854,774**	**$264,042**	**$961,566**	**$2,325,544**
Discount rate	**3.0%**	**3.0%**	**Undiscounted**	**3.0%**	

13. DEBT

The University directly finances the construction, renovation and acquisition of facilities and equipment, or such other purposes as authorized by The Regents through the issuance of debt obligations or indirectly through structures that involve legally separate entities reported as blended component units. Commercial paper and bank loans provide interim financing. Long-term financing includes revenue bonds, financing obligations and other borrowings.

The University's outstanding debt at June 30 is shown in Table 13.1:

Table 13.1: Outstanding Debt

(in thousands of dollars)	WEIGHTED AVERAGE INTEREST RATE	INTEREST RATE RANGE	MATURITY YEARS	2023	2022
INTERIM FINANCING:					
Commercial paper		2.6 - 5.3%	2024	$885,000	$945,000
LONG-TERM FINANCING:					
University of California General Revenue Bonds:					
Fixed rate	4.6%	0.4 - 7.6%	2024 - 2115	14,549,785	13,928,370
Variable rate	3.2%	2.9 - 5.1%	2024 - 2048	1,094,380	750,000
University of California Limited Project Revenue Bonds	4.6%	0.6 - 6.3%	2024 - 2058	5,395,150	5,559,335
University of California Medical Center Pooled Revenue Bonds:					
Fixed rate	4.2%	2.3 - 6.6%	2024 - 2120	6,693,845	7,096,985
Variable rate	3.1%	3 - 3.2%	2024 - 2047	221,905	229,415
Unamortized bond premium				1,669,815	1,502,512
University of California revenue bonds	**4.4%**			**29,624,880**	**29,066,617**
Financing obligations		Various	2024 - 2042	62,244	80,868
Other University borrowings		Various	2024 - 2091	750,220	844,735
Leases		Various	2024 - 2120	2,568,717	2,487,704
Subscription-based information technology arrangements		Various	2024 - 2034	181,066	188,564
Blended component unit revenue bonds, net	4.0%	3 - 6.5%	2024 - 2054	2,268,648	2,316,393
Total outstanding debt				**36,340,775**	**35,929,881**
Less: Commercial paper				(885,000)	(945,000)
Current portion of outstanding debt				(2,602,168)	(2,116,095)
Noncurrent portion of outstanding debt				**$32,853,607**	**$32,868,786**

The activity with respect to the University's current and noncurrent debt, including the revenue bonds associated with blended component units, for the years ended June 30 is shown in Table 13.2:

Table 13.2: Current and Noncurrent Debt Activity

(in thousands of dollars)	UNIVERSITY REVENUE BONDS	FINANCING OBLIGATIONS, LEASES AND SUBSCRIPTION-BASED IT ARRANGEMENTS	OTHER UNIVERSITY BORROWINGS	BLENDED COMPONENT UNIT REVENUE BONDS	TOTAL
Long-term debt at June 30, 2022	$29,066,617	$2,757,136	$844,735	$2,316,393	$34,984,881
New obligations	3,253,920	515,933			3,769,853
Bond premium, net	308,599				308,599
Refinancing or prepayment of outstanding debt	(2,324,165)	(105,805)			(2,429,970)
Scheduled principal payments	(538,795)	(355,253)	(94,515)	(32,155)	(1,020,718)
Amortization of bond premium	(141,280)			(15,590)	(156,870)
Long-term debt at June 30, 2023	**29,624,896**	**2,812,011**	**750,220**	**2,268,648**	**35,455,775**
Less: Current portion	(2,081,078)	(326,183)	(143,940)	(50,967)	(2,602,168)
Noncurrent portion at June 30, 2023	**$27,543,818**	**$2,485,828**	**$606,280**	**$2,217,681**	**$32,853,607**
Long-term debt at June 30, 2021	$26,611,233	$2,589,434	$889,472	$2,207,717	$32,297,856
New obligations	3,411,710	584,144		191,250	4,187,104
Bond premium, net	139,328			25,212	164,540
Refinancing or prepayment of outstanding debt	(495,535)	(39,293)	(114)	(76,820)	(611,762)
Scheduled principal payments	(503,725)	(377,149)	(44,623)	(20,510)	(946,007)
Amortization of bond premium	(96,394)			(10,456)	(106,850)
Long-term debt at June 30, 2022	**29,066,617**	**2,757,136**	**844,735**	**2,316,393**	**34,984,881**
Less: Current portion	(1,614,728)	(321,359)	(145,022)	(34,986)	(2,116,095)
Noncurrent portion at June 30, 2022	**$27,451,889**	**$2,435,777**	**$699,713**	**$2,281,407**	**$32,868,786**

Commercial Paper

The University has available a $2.0 billion commercial paper program, issued in two series, with tax-exempt and taxable components. Commercial paper may be issued for interim financing for capital projects or equipment, financing for working capital for the medical centers, standby or interim financing for gift-financed projects and working capital for the University.

The program's liquidity is primarily supported by available investments in STIP, BGP and TRIP. Commercial paper is collateralized by a pledge of the revenues derived from the ownership or operation of the projects financed and constitutes limited obligations of the University. There is no encumbrance, mortgage or other pledge of property securing commercial paper and the paper does not constitute general obligations of the University.

Commercial paper outstanding, including interest rates, at June 30 is shown in Table 13.3:

Table 13.3: Commercial Paper

	2023	2023	2022	2022
(in thousands of dollars)	INTEREST RATES	OUTSTANDING	INTEREST RATES	OUTSTANDING
Tax-exempt	2.6 - 3.6%	$550,000	1.19 - 1.2%	$23,900
Taxable	5.1 - 5.3%	335,000	0.26 - 2.2%	921,100
Total outstanding		**$885,000**		**$945,000**

The expectation is that the University will continue to utilize available investments for liquidity support of the commercial paper program. Alternatively, the University may utilize lines of credit from external banks for the purpose of providing additional liquidity support for the commercial paper program. As of June 30, 2023, the University has two revolving credit agreements totaling $700.0 million. There were no borrowings against the revolving credit lines as of June 30, 2023.

University of California Revenue Bonds

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

General revenue bonds are collateralized solely by general revenues as defined in the general revenue bond indenture. General revenues are certain operating and nonoperating revenues of the University consisting of gross student tuition and fees; a portion of state appropriations; facilities and administrative cost recovery from contracts and grants; revenues from educational, auxiliary and other activities; and other revenues, including unrestricted investment income. The General revenue bond indenture requires the University to set rates, charges and fees each year sufficient for general revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of general revenues for interest rate swap agreements is on a parity basis with the University's general revenue bonds. General revenues for the years ended June 30, 2023 and 2022 were $21.2 billion and $19.5 billion, respectively.

Limited project revenue bonds are issued to finance auxiliary enterprises and are collateralized by a pledge consisting of the sum of the gross revenues of specific projects. The limited project revenue bond indenture requires the University to achieve the sum of revenues equal to 1.1 times debt service and to maintain certain other covenants. The pledge of revenues for limited project revenue bonds is subordinate to the pledge of revenues for general revenue bonds, but senior to pledges for commercial paper notes. Pledged revenues for the years ended June 30, 2023 and 2022 were $1.8 billion and $1.5 billion, respectively.

Medical center pooled revenue bonds are issued to finance the University's medical center facilities and are collateralized by joint and several pledges of the gross revenues of all five of the University's medical centers. Medical center gross revenues are excluded from general revenues. The medical center pooled revenue bond indenture requires the medical centers to set rates, charges and fees each year sufficient for the medical centers' total operating and nonoperating revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of medical center revenues for interest rate swap agreements may be at parity with, or subordinate to, medical center pooled revenue bonds. Pledged revenues of the medical centers for the years ended June 30, 2023 and 2022 were $19.5 billion and $17.6 billion, respectively.

2023 Activity

In February 2023, general revenue bonds totaling $2.2 billion, including $2.1 billion in tax-exempt bonds, were issued to finance or refinance the acquisition, construction, improvement and renovation of certain facilities of the University. The bonds mature at various dates through 2048. Proceeds of the bonds, including a bond premium of $245.6 million, were used to pay for project construction, refinancing and issuance costs. The fixed-rate tax-exempt bonds have a stated weighted average interest rate of 5.0 percent. The taxable bonds have a stated weighted average interest rate of 4.7 percent. The University also issued tax-exempt variable rate bonds for which the interest rate will reset each business day. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of $411.4 million and an economic gain of $324.8 million.

In September 2022, general revenue bonds totaling $767.5 million, including $702.3 million in tax-exempt bonds and $65.2 million in taxable bonds, were issued to finance the acquisition, construction, improvement and renovation of certain facilities of the University. The bonds mature at various dates through 2052. Proceeds of the bonds, including a bond premium of $121.6 million, were used to pay for project construction and issuance costs. The tax-exempt bonds have a stated weighted average interest rate of 5.0 percent. The taxable bonds have a stated weighted average interest rate of 4.5 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In August 2022, the University priced $318.0 million of tax-exempt general revenue bonds that were delivered in February 2023. Proceeds of the bonds, including a bond premium of $39.9 million, were used to pay for issuance costs and to repay $348.8 million of outstanding general revenue bonds at the call date. The bonds have a stated weighted average interest rate of 5.0 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of $38.6 million and an economic gain of $34.4 million.

2022 Activity

In May 2022, medical center revenue bonds totaling $3.0 billion, including $1.1 billion in taxable bonds, were issued for working capital purposes and to finance the acquisition, construction, improvement and renovation of certain facilities at the University's medical centers. The bonds mature at various dates through 2054 and have a stated weighted average interest rate of 4.5 percent. Proceeds of $400.0 million of the taxable bonds will be used for operations. Proceeds of the tax-exempt bonds, including a bond premium of $100.2 million, and the remaining proceeds of the taxable bonds, were issued to pay for project construction and issuance costs. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In March 2021, the University priced $411.7 million of tax-exempt limited project revenue bonds that were delivered in February 2022. Proceeds of the bonds, including a bond premium of $90.9 million, were used to pay for issuance costs and to repay $495.5 million of outstanding limited project revenue bonds at the call date. The bonds have a stated weighted average interest rate of 5.0 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

Leases

The University has leases for land, buildings and equipment under agreements that extend through 2120. Some leases include one or more options to renew, with renewal terms that can extend the lease term from one to 39 years. Leases may also include options to terminate the leases.

Certain of the University's lease agreements include rental payments adjusted periodically primarily for inflation. The lease agreements do not contain any material lease incentive received, residual value guarantees, material restrictive covenants or material termination penalties. The University also subleases certain real estate to third parties.

The University measures the lease liability at the present value of payments expected to be made during the lease term. Leases with a term of 12 months or less, real estate leases with cumulative undiscounted payments of less than $300,000 (including option periods) or equipment leases with cumulative undiscounted payments of less than $100,000 (including option periods) are recognized as operating expense on a straight-line basis over the lease term. If the interest rate implicit in the lease cannot be readily determined, the University uses an incremental borrowing rate to discount the lease payments, which is an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term.

Future minimum payments on the University's leases with an initial or remaining non-cancelable term in excess of one year are shown in Table 13.4:

Table 13.4: Future Minimum Payments on Leases

(in thousands of dollars)	PRINCIPAL	INTEREST	TOTAL PAYMENTS
Year Ending June 30			
2024	$237,853	$90,424	$328,277
2025	232,714	81,585	314,299
2026	212,439	74,559	286,998
2027	194,297	66,342	260,639
2028	185,463	59,229	244,692
2029-2033	742,746	203,798	946,544
2034-2038	440,934	91,645	532,579
2039-2043	174,398	33,414	207,812
2044-2048	54,216	17,671	71,887
2049-2053	40,471	10,518	50,989
2054-2058	22,799	6,245	29,044
2059-2063	21,451	3,039	24,490
2064-2068		3,113	3,113
2069-2073		4,050	4,050
2074-2078		4,050	4,050
2079-2083		5,822	5,822
2084-2088		7,088	7,088
2089-2093		7,088	7,088
2094-2098		7,088	7,088
2099-2103		7,088	7,088
2104-2108		7,088	7,088
2109-2113	1,199	5,888	7,087
2114-2118	6,099	988	7,087
2119-2120	1,499	37	1,536
Total	**$2,568,578**	**$797,857**	**$3,366,435**

Subscription-based Information Technology Arrangements

The University has subscription-based information technology arrangements (SBITAs) under agreements that extend through 2034. Some SBITAs include one or more options to renew, with renewal terms that can extend the subscription term from one to four years. SBITAs may also include options to terminate the subscription. SBITAs do not contain any material incentive received, material restrictive covenants or material termination penalties.

The University measures the SBITA liability at the present value of payments expected to be made during the subscription term. SBITAs with a term of 12 months or less or those with cumulative undiscounted payments of less than $500.0 thousand (including option periods) are recognized as operating expense on a straight-line basis over the subscription term. If the interest rate implicit in the SBITA cannot be readily determined, the University uses an incremental borrowing rate to discount the SBITA payments, which is an estimate of the interest rate that would be charged for borrowing the SBITA payment amounts during the subscription term.

Future minimum payments on the University's SBITAs with an initial or remaining non-cancelable term in excess of one year are shown in Table 13.5:

Table 13.5: Future Minimum Payments on SBITAs

(in thousands of dollars)	PRINCIPAL	INTEREST	TOTAL PAYMENTS
Year Ending June 30			
2024	$70,921	$3,785	$74,706
2025	49,663	2,389	52,052
2026	25,906	1,273	27,179
2027	16,556	749	17,305
2028	9,904	375	10,279
2029-2033	7,660	349	8,009
2034	456	6	462
Total	**$181,066**	**$8,926**	**$189,992**

Other University Borrowings

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

The University may use uncollateralized revolving lines of credit with commercial banks for capital purposes and to provide interim financing for buildings and equipment. Lines of credit commitments for general corporate purposes, which expire on November 30, 2024, totaled $200.0 million at June 30, 2023 and 2022. Outstanding borrowings under these bank lines totaled $100.0 million at June 30, 2023 and 2022.

Certain of the interest rate swaps are considered hybrid instruments. As such, the interest rate swaps are comprised of a derivative instrument and a companion instrument recorded as a borrowing. The unamortized amount of the borrowing was $66.7 million and $71.7 million at June 30, 2023 and 2022, respectively.

In August 2016, the University entered into an agreement with a developer to design, construct, finance, operate and maintain certain auxiliary, administrative, academic and research facilities of one of its campuses through 2055. Construction of all of the facilities was completed in the summer of 2020. Payments under this agreement have two components: the first component of the agreement is related to the operations and maintenance of the facilities; the second component is to service the private debt incurred by the developer. The payments for servicing the private debt are recorded as other borrowings by the University. The operations and maintenance component of the payments will be expensed as incurred. In the event that the operations and maintenance agreement with the developer is terminated, the outstanding portion of the private debt incurred by the developer would become an obligation of the University. The outstanding amount of the borrowing was $551.5 million and $590.6 million at June 30, 2023 and 2022, respectively.

Blended Component Unit Revenue Bonds

Student Housing

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

In October 2021, one of the LLCs, through its conduit issuer, issued additional Student Housing LLC Revenue Bonds totaling $191.3 million. The bonds mature at various dates through 2054 and have a stated weighted average interest rate of 3.7 percent. Proceeds, including a bond premium of $30.6 million, were used to refinance $76.8 million of outstanding bonds and to pay for project construction and issuance costs. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

At June 30, 2023 and 2022, the LLCs, through a conduit issuer, have outstanding Student Housing LLC Revenue Bonds totaling $1.7 billion. The bonds mature at various dates through 2054 and have a weighted average interest rate of 4.5 percent.

Research Facilities

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

At June 30, 2023, the Corporation, through a conduit issuer, has outstanding tax-exempt revenue bonds totaling $172.3 million and taxable revenue bonds totaling $188.0 million. At June 30, 2022, the Corporation, through a conduit issuer, had outstanding tax-exempt revenue bonds totaling $178.7 million and taxable revenue bonds totaling $188.0 million. The tax-exempt revenue bonds mature at various dates from 2024 to 2052 and have a weighted average interest rate of 5.0 percent. The tax-exempt revenue bonds have annual serial maturities, certain sinking fund requirements, semiannual interest payments and optional redemption provisions. The taxable bonds mature from 2026 to 2049 and have an interest rate of 6.5 percent. The taxable bonds were issued as Build America Bonds, under which the U.S. Treasury was expected at the time of issuance to send the conduit issuer 35.0 percent of the semiannual interest cost on the taxable bonds. As of June 30, 2023, the U.S. Treasury had reduced the subsidy by 5.7 percent for a net subsidy of 33.0 percent and has published its intention to do so through Federal Fiscal Year 2030, making the net interest rate 4.3 percent post-subsidy. The taxable bonds have a term maturity with various certain annual sinking fund requirements, semiannual interest payments and optional redemption provisions.

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

The Consortium, through a conduit issuer, has outstanding revenue bonds totaling $44.6 million and $46.2 million at June 30, 2023 and 2022, respectively. The bonds mature at various dates through 2040 and have a weighted average interest rate of 4.4 percent. The bonds generally have annual principal and semiannual interest payments, serial and term maturities, certain sinking fund requirements and optional redemption provisions. Lease payments from the occupants of the building are pledged as collateral on the bonds. To the extent the lease payments are not sufficient to pay the debt service, the University is obligated to pay the shortfall.

Future Debt Service and Hedging Derivative Interest Rate Swaps

Future debt service payments for the University's fixed- and variable-rate debt, excluding leases and SBITAs, for each of the five fiscal years subsequent to June 30, 2023, and thereafter are presented in Table 13.6a below. Although not a prediction by the University of the future interest cost of the variable-rate bonds, these amounts assume that current interest rates on variable-rate bonds will not change. As these rates vary, variable-rate bond interest payments will vary.

Table 13.6a: Future Debt Service Payments

(in thousands of dollars)	COMMERCIAL PAPER	MEDICAL CENTER REVENUE BONDS	UNIVERSITY REVENUE BONDS	FINANCING OBLIGATIONS	OTHER UNIVERSITY BORROWINGS	BLENDED COMPONENT UNIT REVENUE BONDS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year Ending June 30									
2024	$891,919	$367,942	$1,472,886	$19,447	$119,749	$140,056	$3,011,999	$1,712,948	$1,299,051
2025		367,398	1,831,573	18,092	21,017	136,712	2,374,792	1,111,179	1,263,613
2026		365,707	1,862,272	12,887	21,219	138,247	2,400,332	1,177,022	1,223,310
2027		366,845	1,855,780	4,816	21,399	139,977	2,388,817	1,201,257	1,187,560
2028		351,874	1,419,887	3,423	21,556	142,047	1,938,787	787,750	1,151,037
2029-2033		2,190,617	8,048,692	8,901	106,807	718,738	11,073,755	5,943,704	5,130,051
2034-2038		1,905,545	5,711,396		117,971	719,539	8,454,451	4,517,614	3,936,837
2039-2043		1,946,532	4,756,475		100,464	595,148	7,398,619	4,569,789	2,828,830
2044-2048		1,861,718	3,532,033		95,477	554,438	6,043,666	4,225,107	1,818,559
2049-2053		2,152,896	2,042,774		93,699	370,196	4,659,565	3,670,734	988,831
2054-2058		323,345	444,340		44,324	21,934	833,943	290,704	543,239
2058-2120		1,894,668	4,974,651				6,869,319	2,510,000	4,359,319
Total future debt service	**891,919**	**14,095,087**	**37,952,759**	**67,566**	**763,682**	**3,677,032**	**57,448,045**	**$31,717,808**	**$25,730,237**
Less: Interest component of future payments	(6,919)	(7,179,338)	(16,913,444)	(5,322)	(13,462)	(1,611,752)	(25,730,237)		
Principal portion of future payments	**885,000**	**6,915,749**	**21,039,315**	**62,244**	**750,220**	**2,065,280**	**31,717,808**		
Adjusted by:									
Unamortized bond premium		218,866	1,450,948			203,368	1,873,182		
Total debt	**$885,000**	**$7,134,615**	**$22,490,263**	**$62,244**	**$750,220**	**$2,268,648**	**$33,590,990**		

Long-term debt does not include $69.0 million of defeased liabilities at June 30, 2023. Investments that have maturities and interest rates sufficient to fund retirement of these liabilities are being held in irrevocable trusts for the debt service payments. Neither the assets of the trusts nor the outstanding obligations are included in the University's statement of net position.

General revenue bonds of $1.1 billion are variable-rate demand bonds which primarily reset daily and, in the event of a failed remarketing, can be put back to The Regents for tender. The University has classified these bonds as current liabilities as of June 30, 2023.

Medical center pooled revenue bonds of $221.9 million are variable-rate demand bonds which give the debt holders the ability to put the bonds back to The Regents upon demand. The University has classified these bonds as current liabilities as of June 30, 2023.

For the University's cash flow hedges, future debt service payments for the University's variable-rate debt and net receipts or payments on the associated hedging derivative instruments for each of the five fiscal years subsequent to June 30, 2023, and thereafter are as presented below. Although not a prediction by the University of the future interest cost of the variable-rate bonds or the impact of the interest rate swaps, using rates as of June 30, 2023, combined debt service requirements of the variable-rate debt and net swap payments are shown in Table 13.6b:

Table 13.6b: Future Debt Service Payments- Hedging Derivative Instruments

	VARIABLE-RATE BONDS		INTEREST RATE SWAP, NET	TOTAL PAYMENTS
(in thousands of dollars)	PRINCIPAL	INTEREST		
Year Ending June 30				
2024	$11,845	$34,142	($16,907)	$29,080
2025	12,210	34,456	(17,108)	29,558
2026	12,595	34,145	(17,108)	29,632
2027	12,990	33,814	(17,093)	29,711
2028	13,420	33,476	(17,092)	29,804
2029-2033	65,140	160,795	(84,221)	141,714
2034-2038	63,910	152,632	(82,764)	133,778
2039-2043	186,395	134,260	(35,224)	285,431
2044-2048	787,780	70,410	(9,125)	849,065
Total	**$1,166,285**	**$688,130**	**($296,642)**	**$1,557,773**

14. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The University's composition of deferred outflows of resources at June 30 are summarized in Table 14.1:

Table 14.1: Deferred Outflows

(in thousands of dollars)	**2023**	**2022**
Net pension liability	$2,964,134	$6,232,412
Net retiree health benefits liability	4,456,785	4,837,480
Debt refunding	167,241	235,261
Interest rate swap agreements	22,747	89,066
Asset retirement obligations	82,467	101,622
Acquisitions	908	2,723
Total	**$7,694,282**	**$11,498,564**

The University's composition of deferred inflows of resources at June 30 are summarized in Table 14.2:

Table 14.2: Deferred Inflows

(in thousands of dollars)	**2023**	**2022**
Service concession arrangements	$227,323	$232,380
Net pension liability	93,756	143,913
Net retiree health benefits liability	8,027,404	9,967,408
Debt refunding	47,132	40,958
Interest rate swap agreements	85,898	87,888
Royalty sales	250,911	290,750
Irrevocable split-interest agreements	76,062	76,494
Leases	686,208	590,585
Total	**$9,494,694**	**$11,430,376**

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

15. RETIREMENT PLANS

Most University employees participate in UCRS. UCRS consists of UCRP, a governmental defined benefit plan funded with University and employee contributions; UCRSP, which includes defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee nonelective and elective contributions; and UC-VERIP, a defined benefit plan for University employees who were members of the California Public Employees' Retirement System (CalPERS) who elected early retirement. Other retirement plans include the Children's Hospital and Research Center at Oakland (CHRCO) Pension Plan, a defined benefit plan fully funded with CHRCO contributions and the Orange County Employees' Retirement System (OCERS) retirement plan, a cost-sharing multiemployer defined benefit pension plan for former employees of an Orange County hospital center who chose to remain with OCERS at the time the hospital was acquired by the University. The Regents has the authority to establish and amend UCRS, and administration authority with respect to the UCRS plans is vested with the President of the University as plan administrator. CHRCO administers the CHRCO Pension Plan as the Sponsor and plan assets are held by State Street Bank and Trust Company (Trustee) which is the successor trustee to U.S. Bank effective December 1, 2021.

Condensed financial information related to each plan in UCRS and CHRCO Pension Plan and the changes in pension liability for UCRP, UC-VERIP and the CHRCO Pension Plan for the year ended June 30, 2023 are shown in Table 15.1:

Table 15.1: Condensed Financial Information for Retirement Plans

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA RETIREMENT PLAN	UNIVERSITY OF CALIFORNIA UC-VERIP	SUBTOTAL	UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM	TOTAL	CHILDREN'S HOSPITAL & RESEARCH CENTER AT OAKLAND PENSION PLAN
CONDENSED STATEMENT OF PLAN FIDUCIARY NET POSITION						
Investments at fair value	$87,677,080	$67,722	$87,744,802	$31,054,413	$118,799,215	$623,856
Participants' interests in mutual funds				2,372,880	2,372,880	
Investment of cash collateral	5,100,801	3,821	5,104,622	3,517,138	8,621,760	
Other assets	1,062,769	693	1,063,462	335,663	1,399,125	
Total assets	**93,840,650**	**72,236**	**93,912,886**	**37,280,094**	**131,192,980**	**623,856**
Collateral held for securities lending	5,100,800	3,821	5,104,621	3,517,120	8,621,741	
Other liabilities	545,065	426	545,491	181,981	727,472	
Total liabilities	**5,645,865**	**4,247**	**5,650,112**	**3,699,101**	**9,349,213**	
Net position held in trust	**$88,194,785**	**$67,989**	**$88,262,774**	**$33,580,993**	**$121,843,767**	**$623,856**
CONDENSED STATEMENT OF CHANGES IN PLAN FIDUCIARY NET POSITION						
Contributions	$3,976,571		$3,976,571	$2,146,797	$6,123,368	$41,400
Net appreciation in fair value of investments	2,789,442	$1,945	2,791,387	3,017,062	5,808,449	
Investment and other income, net	4,906,832	4,010	4,910,842	661,747	5,572,589	73,339
Total additions, net	**11,672,845**	**5,955**	**11,678,800**	**5,825,606**	**17,504,406**	**114,739**
Benefit payment and participant withdrawals	4,764,459	2,987	4,767,446	2,174,893	6,942,339	25,027
Other deductions	76,629	3	76,632	3,426	80,058	4,073
Total deductions	**4,841,088**	**2,990**	**4,844,078**	**2,178,319**	**7,022,397**	**29,100**
Change in net position held in trust	**6,831,757**	**2,965**	**6,834,722**	**3,647,287**	**10,482,009**	**85,639**
Net position held in trust						
Beginning of year	81,363,028	65,024	81,428,052	29,933,706	111,361,758	538,217
End of year	**$88,194,785**	**$67,989**	**$88,262,774**	**$33,580,993**	**$121,843,767**	**$623,856**
CHANGES IN TOTAL PENSION LIABILITY						
Service cost	$2,753,510		$2,753,510			$14,159
Interest	6,985,737	$1,181	6,986,918			44,522
Difference between expected and actual experience	451,908	(1,242)	450,666			6,851
Changes of benefit terms	33,303		33,303			
Changes of assumptions or other inputs	469,788	(440)	469,348			(23,590)
Benefits paid, including refunds of employee contributions	(4,764,459)	(2,987)	(4,767,446)			(25,027)
Net change in total pension liability	**5,929,787**	**(3,488)**	**5,926,299**			**16,915**
Total pension liability						
Beginning of year	102,635,910	20,227	102,656,137			657,935
End of year	**108,565,697**	**16,739**	**108,582,436**			**674,850**
Net pension liability (asset), end of year	**$20,370,912**	**($51,250)**	**$20,319,662**			**$50,994**

Additional information on the retirement plans can be obtained from the 2022-2023 annual reports of the University of California Retirement System which can be found at http://reportingtransparency.universityofcalifornia.edu.

University of California Retirement Plan

UCRP provides lifetime retirement income, disability protection, death benefits and postretirement and preretirement survivor benefits to eligible employees of the University, its affiliates and their survivors and beneficiaries.

The University's membership in UCRP consisted of the following as shown in Table 15.2 at June 30, 2023:

Table 15.2: Membership in UCRP

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	74,654	12,628	87,282
Inactive members entitled to, but not receiving benefits	112,989	7,567	120,556
Active members:			
Vested	83,777	1,710	85,487
Nonvested	55,184	745	55,929
Total active members	**138,961**	**2,455**	**141,416**
Total membership	**326,604**	**22,650**	**349,254**

Contributions

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

The Regents determines the portion of the total contribution to be made by the employer and by the employees, and employee contribution rates for represented employees are subject to collective bargaining. Additional information on UCRP contributions can be obtained from the 2022-2023 annual report of the University of California Retirement System.

As of June 30, 2023 and 2022, the University reported $645.4 million and $624.3 million, respectively, as other noncurrent Department of Energy receivables for pension liabilities. Contributions of $111.7 million and $75.1 million were deposited into UCRP on behalf of the DOE for the years ended June 30, 2023 and 2022, respectively.

Net Pension Liability

All UCRP assets are available to pay any member's benefit. However, assets and liabilities for the campus and medical center segment of UCRP are internally tracked separately from the DOE national laboratory segments of UCRP. The net pension liability for UCRP for UCRP is shown in Table 15.3:

Table 15.3: Net Pension Liability for UCRP

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UNIVERSITY OF CALIFORNIA
At June 30, 2023			
UCRP net position	$78,873,984	$9,320,801	$88,194,785
Total pension liability	98,431,151	10,134,546	108,565,697
Net pension liability	**$19,557,167**	**$813,745**	**$20,370,912**
At June 30, 2022			
UCRP net position	$72,254,382	$9,108,646	$81,363,028
Total pension liability	92,468,791	10,167,119	102,635,910
Net pension liability	**$20,214,409**	**$1,058,473**	**$21,272,882**

The University's net pension liability was measured as of June 30 and was calculated using the plan net position valued as of the measurement date and total pension liability determined by rolling forward the total pension liability from the results of the actuarial valuations as of July 1, one year prior to the measurement date. The actuarial assumptions were changed in 2023 based upon the results of an experience study conducted for the period July 1, 2018 through June 30, 2022. The actuarial assumptions used as of June 30, 2022 were based on the results of an experience study conducted for the period July 1, 2014 through June 30, 2018.
The University's net pension liability was calculated using the following methods and assumptions as shown in Table 15.4:

Table 15.4: Net Pension Liability Calculation Method

	2023	2022
Inflation	2.50%	2.50
Investment rate of return	6.75	6.75
Projected salary increases	3.65 - 5.95	3.65 - 5.95
Cost-of-living adjustments	FYE 6/30/2023:2.90%. Future years: 2.00%	FYE 6/30/2022: 4.41% for those who retired 7/2/2019 - 7/1/2020; 3.69% for all others eligible for COLA. Future years: 2.00%

Mortality rates used to calculate the net pension liability are shown in Table 15.5:

Table 15.5: Mortality Rates For Net Pension Liability

	2023	2022
Mortality Rates:		
Preretirement	Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table multiplied by 90 percent for males and 95 percent for females	Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table
Postretirement Healthy Members	Pub-2010 Healthy Teacher Amount-Weighted Above-Median Mortality Table multiplied by 85 percent for male faculty members, 95 percent for female faculty members, 100 percent for other male members and 105 percent for other female members	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
Postretirement Disabled Members	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table multiplied by 100 percent for males and 95 percent for females	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table
Beneficiaries of Retired Members	In pay status as of valuation: Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table (separate tables for males and females) unadjusted for males and decreased by 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021. Not in pay status as of valuation: Pub-2010 Teacher Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) unadjusted for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.	Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table multiplied by 100 percent for males and 90 percent for females
Projection scale for all mortality tables	Generational with the two-dimensional mortality improvement scale MP-2021.	Generational with the two-dimensional mortality improvement scale MP-2018.

The long-term expected investment rate of return assumption for UCRP was determined based on the aforementioned experience study, 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 Table 15.6:

Table 15.6: Target Allocation and Projected Real Rate of Return

	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset class		
U.S. equity	33.0%	6.0%
Developed international equity	13.0	6.8
Emerging market equity	7.0	8.5
Core bonds	13.0	1.8
High-yield bonds	2.5	4.6
Emerging market debt	1.5	4.6
Private equity	12.0	9.6
Private credit	3.5	2.9
Real estate	7.0	3.9
Absolute return	3.5	1.1
Real assets	4.0	4.0
Total	**100.0%**	**5.6%**

Discount Rate

The discount rate used to estimate the net pension liability was 6.75 percent as of June 30, 2023 and 2022. To calculate the discount rate, cash flows into and out of UCRP were projected in order to determine whether UCRP has sufficient cash in future periods for projected benefit payments for current members. For this purpose, University, state and member contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected University contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. UCRP was projected to have assets sufficient to make projected benefit payments for current members for all future years as of June 30, 2023 and 2022.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

Table 15.7 presents the June 30, 2023 net pension liability of the University as well as what the net pension liability would be if it were calculated using a discount rate 1% lower and 1% higher than the current assumption:

Table 15.7: Sensitivity of Net Pension Liability to Changes in the Discount Rate

(in thousands of dollars)	1% DECREASE (5.75%)	CURRENT DISCOUNT (6.75%)	1% INCREASE (7.75%)
UCRP	$34,982,449	$20,370,912	$8,377,910
UC-VERIP	(50,483)	(51,250)	(51,946)

Deferred Outflows of Resources and Deferred Inflows of Resources

The University's composition of deferred outflows of resources and deferred inflows of resources for pensions are summarized in Tables 15.8a and 15.8b:

Table 15.8a: 2023 Deferred Outflows and Deferred Inflows For Pensions

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
At June 30, 2023					
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	$628,584		$628,584		$628,584
Changes of assumptions or other inputs	416,267		416,267		416,267
Net difference between projected and actual earnings on pension plan investments	1,679,686	$168,366	1,848,052	$1,336	1,849,388
Total	**$2,724,537**	**$168,366**	**$2,892,903**	**$1,336**	**$2,894,239**
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	$53,559		$53,559		$53,559
Total	**$53,559**		**$53,559**		**$53,559**

Table 15.8b: 2022 Deferred Outflows and Deferred Inflows For Pensions

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
At June 30, 2022					
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	$521,042		$521,042		$521,042
Changes of assumptions or other inputs	1,227,868		1,227,868		1,227,868
Net difference between projected and actual earnings on pension plan investments	3,919,906	$434,207	4,354,113	$3,207	4,357,320
Total	**$5,668,816**	**$434,207**	**$6,103,023**	**$3,207**	**$6,106,230**
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	$112,415		$112,415		$112,415
Total	**$112,415**		**$112,415**		**$112,415**

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 shown in Table 15.9:

Table 15.9: Net Deferred Outflows and Deferred Inflows of Resources

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
2024	$411,451	($4,035)	$407,416	$32	$407,448
2025	(152,593)	(93,865)	(246,458)	(604)	(247,062)
2026	2,669,247	315,730	2,984,977	2,243	2,987,220
2027	(257,127)	(49,464)	(306,591)	(335)	(306,926)
Total	**$2,670,978**	**$168,366**	**$2,839,344**	**$1,336**	**$2,840,680**

Defined Contribution Plan (DC Plan) / Supplemental Defined Contribution Plan (SDC Plan)

The DC Plan was established by resolution of The Regents to accept after-tax contributions and pretax contributions. The Regents established the SDC Plan to provide retirement benefits to certain designated employees of the University and their beneficiaries.

Additional information on the DC Plan and SDC Plan can be obtained from the 2022-2023 annual report of the University of California Retirement System.

Tax Deferred 403(b) Plan

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

Additional information on the 403(b) Plan can be obtained from the 2022-2023 annual report of the University of California Retirement System.

Employer contributions to the 403(b) Plan were $10.8 million and $9.4 million for the years ended June 30, 2023 and 2022.

457(b) Deferred Compensation Plan

The University's 457(b) Deferred Compensation Plan (457(b) Plan) accepts pretax employee contributions.

Additional information on the 457(b) Plan can be obtained from the 2022-2023 annual report of the University of California Retirement System.

There were no employer contributions to the 457(b) Plan for the years ended June 30, 2023 and 2022.

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

University of California Voluntary Early Retirement Incentive Program (UC-VERIP)

UC-VERIP is a defined benefit pension plan providing lifetime supplemental retirement income and survivor benefits to UC–VERIP members who elected early retirement under CalPERS.

Additional information on UC-VERIP can be obtained from the UCRS 2022-2023 annual report.

As of June 30, 2023, there are 296 retirees or beneficiaries receiving benefits under this voluntary early retirement program.

The University and the DOE laboratories previously made contributions to the UC-VERIP sufficient to maintain the promised benefits. The actuarially determined contributions are zero for the years ended June 30, 2023 and 2022.

Children's Hospital and Research Center at Oakland Pension Plan (CHRCO Pension Plan)

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, 2023: 3.0 percent inflation, 7.0 percent investment rate of return; projected salary increases - represented employees: 4.0 percent for the fiscal year ended June 30, 2023, 4.1 percent for fiscal year ending 2024, 4.3 percent for fiscal year ending June 30, 2025, 3.5 percent for fiscal year ending June 30, 2026 and thereafter; unrepresented employees: 4.0 percent for fiscal year ended June 30, 2023, 4.5 percent for fiscal year ending June 30, 2024, 4.0 percent for fiscal year ending June 30, 2025, and 3.5 percent for fiscal year ending June 30, 2026 and thereafter and no cost-of-living adjustments. CHRCO recognized pension expense of $44.2 million at June 30, 2023 and $49.1 million at June 30, 2022.

The actuarial assumptions used in the June 30, 2023 and 2022 valuations were based on the results of an experience study conducted during 2019. In 2022, the mortality rates were based on the Pri-2012 Mortality Table with fully generational projected mortality improvements using Scale MP-2021. In 2021, the mortality rates were based on the Pri-2012 Mortality Table with fully generational projected mortality improvements using Scale MP-2020.

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

Membership in the CHRCO Pension Plan consisted of the following as shown in Table 15.10 at June 30, 2023:

Table 15.10: Membership in CHRCO Pension Plan

Retirees and beneficiaries receiving benefits	1,380
Inactive members entitled to, but not yet receiving benefits	1,174
Active members	1,885
Total membership	**4,439**

Contributions

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

Net Pension Liability

The net pension liability for the CHRCO Pension Plan 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 shown in Table 15.11:

Table 15.11: Long-term Expected Investment Rate of Return Assumption

	PORTFOLIO PERCENTAGE	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset class		
U.S. equity large cap	41.4%	4.7%
U.S. equity small cap	16.3	4.9
Developed international equity	20.4	5.4
Emerging market equity	7.9	6.4
Core fixed income	10.2	0.8
Cash	3.8	
Total	**100.0%**	

Discount Rate

The discount rate used to estimate the net pension liability was 7.00 percent and 6.75 percent for June 30, 2023 and 2022, respectively. The projection of cash flows used to determine the discount rate assumes that CHRCO will make contributions to the CHRCO Pension Plan under IRC Section 430's minimum requirements for a period of 5 and 7 years for its unrepresented and represented employees, respectively, and that all future assumptions are met. Based on these assumptions, the CHRCO Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments for current active and inactive employees.

16. RETIREE HEALTH BENEFIT COSTS AND OBLIGATIONS

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

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

LBNL participates in the Program. LBNL does not participate in UCRHBT; therefore, the DOE has no interest in UCRHBT's assets. The University directly pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees who previously worked at LBNL, and is reimbursed by the DOE. To the extent the University has recorded a net retiree health benefits liability (and related deferred inflows and outflows of resources) that will be reimbursed under DOE contracts, a receivable from the DOE is recorded. The University recorded receivables from the DOE of $710.0 million and $708.6 million for 2023 and 2022, respectively, representing the DOE's share of the net retiree health benefits liability.

Condensed financial information related to UCRHBT and the changes in retiree health benefits liability for the year ended June 30, 2023 is shown in Table 16.1:

Table 16.1: Condensed Financial Information Related to UCRHBT at June 30, 2023

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	LBNL	TOTAL UNIVERSITY OF CALIFORNIA
Contributions	$580,493	$21,490	$601,983
Investment income, net	7,345		7,345
Total additions	**587,838**	**21,490**	**609,328**
Insurance premiums, net	(569,634)	(21,490)	(591,124)
Other deductions	(4,854)		(4,854)
Total deductions	**(574,488)**	**($21,490)**	**(595,978)**
Change in net position held in UCRHBT	13,350		13,350
Net position held in UCRHBT, beginning of year	179,474		179,474
Net position held in UCRHBT, end of year	**$192,824**		**$192,824**

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	LBNL	TOTAL UNIVERSITY OF CALIFORNIA
CHANGES IN TOTAL RETIREE HEALTH BENEFITS LIABILITY			
Service cost	$891,714	$21,027	$912,741
Interest	722,279	21,669	743,948
Difference between expected and actual experience	888,337	28,922	917,259
Changes of assumptions and other inputs	90,193	6,352	96,545
Benefits paid	(569,634)	(21,490)	(591,124)
Retiree contributions	86,800	2,725	89,525
Net change in total retiree health benefits liability	**2,109,689**	**59,205**	**2,168,894**
Total retiree health benefits liability			
Beginning of year	19,750,973	600,388	20,351,361
End of year	**21,860,662**	**659,593**	**22,520,255**
Net retiree health benefits liability, end of year	**$21,667,838**	**$659,593**	**$22,327,431**

Benefits

Retirees are eligible for medical and dental benefits. The costs of the medical and dental benefits are shared between the University and the retiree. The University does not contribute toward the cost of other benefits available to retirees. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least five years of service. Retirees employed by the University after 1989 and prior to July 1, 2013 become eligible for a percentage of the University's contribution starting at 50 percent of the maximum University contribution with 10 years of service or if age plus years of service equal at least 75, and increasing to 100 percent after 20 years of service. Retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University's contribution based on age and years of service. These retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service. Retirees pay the excess, if any, of the premium over the applicable portion of the University's contribution.

Membership in a defined benefit plan to which the University contributes or participation in the DC Plan is required to become eligible for retiree health benefits. Participation in the Retiree Health Benefit Program plans consisted of the following as shown in Table 16.2 at June 30, 2023:

Table 16.2: Participation in the Retiree Health Benefit Program Plans

	CAMPUSES AND MEDICAL CENTERS	LBNL	TOTAL UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	49,252	1,864	51,116
Active members	146,417	2,983	149,400
Total membership	**195,669**	**4,847**	**200,516**

Contributions

The University does not pre-fund retiree health benefits and instead provides for benefits based upon projected pay-as-you-go financing. University and retiree contributions toward premiums made under purchased plan arrangements are determined by applying the health plan contract rates across the number of participants in the respective plans. Premium rates for the self-insured plan contributions are set by the University based upon a trend analysis of the historic cost, utilization, demographics and administrative expenses to provide for the claims incurred and the actuarially determined level of incurred but not reported liability. The assessment rates were $2.23 and $2.36 per $100 of UCRP covered payroll effective July 1, 2022 and 2021, respectively.

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

Net Retiree Health Benefits Liability

The University's net retiree health benefits liability was measured as of June 30 based on rolling forward the results of the actuarial valuations as of March 1, one year prior to the measurement date. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. Significant actuarial methods and assumptions used to calculate the University's net retiree health benefits liability are shown in Table 16.3:

Table 16.3: Significant Actuarial Methods and Assumptions

(shown as percentage)	2023	2022
Discount rate[1]	3.65%	3.54%
Inflation	2.5	2.5
Investment rate of return	2.5	2.5
Health care cost trend rates	Initially ranges from -3.1 to 29.1 decreasing to an ultimate rate of 3.9 for 2075 and later years.	Initially ranges from 1.4 to 14.6 decreasing to an ultimate rate of 3.9 for 2075 and later years.

[1] The discount rate was based on the Bond Buyer 20-year tax-exempt general obligations municipal bond index rate since UCHRBT assets are not sufficient to make projected benefit payments.

Mortality Rates

Mortality rates used to calculate the University's net retiree health benefits liability are shown in Table 16.4:

Table 16.4: Mortality Rates

	2023	2022
Mortality Rates:		
Preretirement	Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table.	Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table.
Postretirement Healthy Members	Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table multiplied by 90 percent for faculty members or 110 percent and 105 percent for other male and female members, respectively.	Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table multiplied by 90 percent for faculty members or 115 percent and 110 percent for other male and female members, respectively.
Postretirement Disabled Members	Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table multiplied by 85 percent.	Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table.
Beneficiaries of Retired Members	After the expected (and actual) death of the retired member: Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table multiplied by 100 percent for males and 95 percent for females. While retired member is alive: rates for healthy retired members.	Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table.
Projection scale for all mortality tables	Generationally with the two-dimensional mortality improvement scale MP-2021.	Generationally with the two-dimensional mortality improvement scale MP-2018.

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 at June 30, 2023 were based upon the results of the most recent experience study covering the period of July 1, 2018 through June 30, 2022. The actuarial assumptions used at June 30, 2022 were based upon the results of the most recent experience study covering the period of July 1, 2014 through June 30, 2018.

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

Table 16.5 presents the June 30, 2023 net retiree health benefits liability of the University as well as what the net retiree health benefits liability would be if it were calculated using a health care cost trend rate 1% higher and 1% lower than the current assumption:

Table 16.5: Sensitivity of Net Retiree Health Benefits Liability to Health Care Cost Trend Rates

(in thousands of dollars)	1% DECREASE (-4.1% to 28.1%) DECREASING TO (2.9%)	CURRENT TREND (-3.1% to 29.1%) DECREASING TO (3.9%)	1% INCREASE (-2.1% to 30.1%) DECREASING TO (4.9%)
Net retiree health benefits liability	$18,710,091	$22,327,431	$27,033,574

Discount Rate

The discount rates used to estimate the net retiree health benefits liability as of June 30, 2023 and 2022 were 3.65 percent and 3.54 percent, respectively.

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

Table 16.6 presents the June 30, 2023 net retiree health benefits liability of the University as well as what the net retiree health benefits liability would be if it were calculated using a discount rate 1% higher and 1% lower than the current assumption:

Table 16.6: Sensitivity of Net Retiree Health Benefits Liability to Discount Rates

(in thousands of dollars)	1% DECREASE (2.65%)	CURRENT DISCOUNT (3.65%)	1% INCREASE (4.65%)
Net retiree health benefits liability	$26,322,337	$22,327,431	$19,128,649

Deferred Outflows of Resources and Deferred Inflows of Resources

Tables 16.7a and 16.7b show the composition of deferred outflows of resources and deferred inflows of resources for retiree health benefits at June 30, 2023 and 2022.

Table 16.7a: Composition of Deferred Outflows and Deferred Inflows for Retiree Health Benefits in 2023

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	LBNL	TOTAL UNIVERSITY OF CALIFORNIA
DEFERRED OUTFLOWS OF RESOURCES			
Difference between expected and actual experience	$917,237	$49,480	$966,717
Changes of assumptions or other inputs	3,436,516	51,475	3,487,991
Net difference between projected and actual earnings on plan investments	2,077		2,077
Total	**$4,355,830**	**$100,955**	**$4,456,785**
DEFERRED INFLOWS OF RESOURCES			
Difference between expected and actual experience	$2,131,073	$38,201	$2,169,274
Changes of assumptions or other inputs	5,744,959	113,171	5,858,130
Total	**$7,876,032**	**$151,372**	**$8,027,404**

Table 16.7b: Composition of Deferred Outflows and Deferred Inflows for Retiree Health Benefits in 2022

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	LBNL	TOTAL UNIVERSITY OF CALIFORNIA
DEFERRED OUTFLOWS OF RESOURCES			
Difference between expected and actual experience	$156,193	$32,320	$188,513
Changes of assumptions or other inputs	4,566,601	75,929	4,642,530
Net difference between projected and actual earnings on plan investments	6,437		6,437
Total	**$4,729,231**	**$108,249**	**$4,837,480**
DEFERRED INFLOWS OF RESOURCES			
Difference between expected and actual experience	$2,847,012	$65,098	$2,912,110
Changes of assumptions or other inputs	6,903,908	151,390	7,055,298
Total	**$9,750,920**	**$216,488**	**$9,967,408**

The net amount of deferred outflows of resources and deferred inflows of resources as of June 30, 2023 related to retiree health benefits that will be recognized in retiree health benefit expense during the next five years and thereafter is shown in Table 16.8:

Table 16.8: Net Deferred Outflows and Deferred Inflows of Resources for Retiree Health Benefits

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	LBNL	TOTAL UNIVERSITY OF CALIFORNIA
2024	($644,112)	($11,651)	($655,763)
2025	(818,725)	(13,768)	(832,493)
2026	(463,026)	(21,224)	(484,250)
2027	(302,491)	(11,053)	(313,544)
2028	(461,541)	5,599	(455,942)
Thereafter	(830,307)	1,680	(828,627)
Total	**($3,520,202)**	**($50,417)**	**($3,570,619)**

17. ENDOWMENTS AND GIFTS

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

University of California

The value of endowments and gifts held and administered by the University, excluding income distributed to be used for operating purposes, at June 30, 2023 and 2022 is shown in Table 17.1:

Table 17.1: Endowments and Gifts Held and Administered by the University

(in thousands of dollars)	RESTRICTED NONEXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2023				
Endowments	$1,290,807	$4,433,530	$14,820	$5,739,157
Funds functioning as endowments		3,522,985	9,430,282	12,953,267
Gifts		3,338,345	183,964	3,522,309
University endowments and gifts	**$1,290,807**	**$11,294,860**	**$9,629,066**	**$22,214,733**
At June 30, 2022				
Endowments	$1,261,836	$4,208,513	$13,739	$5,484,088
Funds functioning as endowments		3,364,004	7,546,084	10,910,088
Gifts		2,928,410	183,789	3,112,199
University endowments and gifts	**$1,261,836**	**$10,500,927**	**$7,743,612**	**$19,506,375**

The University's endowment income distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution provided by dividend and interest income and by capital gains may vary significantly from year to year. The University's policy is to retain the realized and unrealized appreciation with the endowment after the annual income distribution has been made. The net appreciation available to meet future spending needs is subject to the approval of The Regents and amounted to $3.6 billion and $3.4 billion at June 30, 2023 and 2022, respectively.

The portion of investment returns earned on endowments held by the University and distributed at the end of each year to support current operations for the following year is based upon a rate that is approved by The Regents. The annual income distribution transferred to the campuses from endowments held by the University was $503.0 million and $432.2 million for the years ended June 30, 2023 and 2022, respectively. The portion of this annual income distribution from accumulated capital gains, in addition to the dividend and interest income earned during the year, was $463.6 million and $488.6 million for the years ended June 30, 2023 and 2022, respectively. Accumulated endowment income available for spending in the future, including the annual income distribution, was $1.0 billion and $930.2 million at June 30, 2023 and 2022, respectively.

Campus Foundations

The value of endowments and gifts held by the campus foundations and administered by each of their independent Boards of Trustees at June 30 are shown in Table 17.2:

Table 17.2: Endowments and Gifts Held and Administered by the Foundations

(in thousands of dollars)	RESTRICTED NONEXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2023				
Endowments	$6,907,145	$2,506,499		$9,413,644
Funds functioning as endowments		2,762,831		2,762,831
Gifts		2,797,842	$1,330,652	4,128,494
Campus foundations' endowments and gifts	**$6,907,145**	**$8,067,172**	**$1,330,652**	**$16,304,969**
At June 30, 2022				
Endowments	$6,428,020	$2,277,434		$8,705,454
Funds functioning as endowments		2,551,720		2,551,720
Gifts		2,362,782	$989,497	3,352,279
Campus foundations' endowments and gifts	**$6,428,020**	**$7,191,936**	**$989,497**	**$14,609,453**

18. LEASES

The University is a lessor of land, buildings and equipment under agreements that extend through 2112. Some leases include one or more lessee options to renew, with renewal terms that can extend the lease term from one to 40 years. These leases may also include lessee options to terminate the leases.

Certain of the University's lease agreements include rental payments that are adjusted periodically, primarily for inflation. The lease agreements do not contain any material lease incentives paid, residual value guarantees, material restrictive covenants or material termination penalties.

The University measures the deferred inflow of resources at the present value of payments expected to be received including any advance lease payments or lease incentives during the lease term.

During the years ended June 30, 2023 and 2022, the University recorded $78.5 million and $72.6 million, respectively, in lease revenues.

19. SEGMENT INFORMATION

The University's medical centers and CHRCO's revenues are pledged in support of the outstanding University of California Medical Center Pooled Revenue Bonds. The medical centers' operating revenues and expenses consist primarily of revenues associated with patient care and the related costs of providing that care.

Condensed financial statement information related to the University's medical centers for the years ended June 30, 2023 and 2022 is shown in Table 19.1:

Table 19.1: Condensed Financial Statement Information Related to the Medical Centers

(in thousands of dollars)	**2023**	**2022**
Revenue bonds outstanding	$7,479,572	$7,545,842
Related debt service payments	396,856	269,122
Bonds due serially through	2120	2120
CONDENSED STATEMENTS OF NET POSITION		
Current assets	$10,157,587	$9,659,213
Capital assets, net	10,590,830	9,637,675
Other assets	4,319,888	4,996,820
Total assets	**25,068,305**	**24,293,708**
Total deferred outflows of resources	**3,446,283**	**4,688,524**
Current liabilities	4,079,301	3,887,014
Long-term debt, net of current portion	8,742,588	8,859,795
Other noncurrent liabilities	16,629,522	15,927,968
Total liabilities	**29,451,411**	**28,674,777**
Total deferred inflows of resources	**3,063,768**	**3,624,464**
Net investment in capital assets	4,658,593	4,369,612
Restricted	159,505	166,376
Unrestricted	(8,818,689)	(7,852,997)
Total net position	**($4,000,591)**	**($3,317,009)**
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating revenues	$19,270,291	$17,519,975
Operating expenses before depreciation	(18,358,893)	(16,431,038)
Depreciation expense	(781,569)	(752,880)
Operating income	**129,829**	**336,057**
Nonoperating revenues (expenses), net	120,421	(200,136)
Income before other changes in net position	**250,250**	**135,921**
Health systems support	(948,093)	(825,034)
Transfers from (to) University, net	21,653	(11,616)
Changes in allocation for pension payable to University	(28,520)	(166,825)
Other, including donated assets	21,128	24,336
Change in net position	**(683,582)**	**(843,218)**
Net position - beginning of year	(3,317,009)	(2,473,791)
Net position - end of year	**($4,000,591)**	**($3,317,009)**
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	$1,857,708	$1,094,683
Noncapital financing activities	(791,988)	(209,273)
Capital and related financing activities	(2,090,028)	1,108,557
Investing activities	1,022,996	(2,312,628)
Net change in cash and cash equivalents	**(1,312)**	**(318,661)**
Cash and cash equivalents* - beginning of year	5,935,137	6,253,798
Cash and cash equivalents* – end of year	**$5,933,825**	**$5,935,137**

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

Summarized financial information in these tables is from the medical centers' audited financial statements. Certain revenue, such as financial support from the state for clinical teaching programs, is classified as state educational appropriations rather than medical center revenue in the University's statements of revenues, expenses and changes in net position. However, in the medical centers' audited financial statements and for segment reporting purposes, these revenues are classified as operating revenue. Additional information on the individual University of California medical centers can be obtained from their audited financial statements which are available at https://www.ucop.edu/uc-controller/financial-reports/medical-center-financial-reports.html.

Certain revenue generating projects (including student and faculty housing, parking facilities, student centers, recreation and events facilities, student health facilities and athletics facilities) are also financed by Limited Project Revenue Bonds; however, assets and liabilities are not required to be accounted for separately.

20. BLENDED COMPONENT UNIT INFORMATION

Condensed financial statement information related to certain of the University's blended component units for the year ended June 30, 2023 is shown in Table 20.1a:

Table 20.1a: Condensed Financial Statement Information Related to Blended Component Units for 2023

(in thousands of dollars)	FIAT LUX	CHRCO	RESEARCH	HOUSING
CONDENSED STATEMENTS OF NET POSITION				
Current assets	$1,504,586	$331,357	$8,772	$317,979
Capital assets, net		458,692	126,553	1,424,693
Other assets	291,963	373,326	367,786	104,138
Total assets	**1,796,549**	**1,163,375**	**503,111**	**1,846,810**
Total deferred outflows of resources		**67,015**	**4,696**	
Current liabilities	407,716	208,486	19,634	87,920
Other noncurrent liabilities	923,183	194,032	470,060	1,860,146
Total liabilities	**1,330,899**	**402,518**	**489,694**	**1,948,066**
Total deferred inflows of resources		**59,833**		**27,885**
Net investment in capital assets		342,152	36,805	
Restricted		106,789		
Unrestricted	465,650	319,098	(18,692)	(129,141)
Total net position	**$465,650**	**$768,039**	**$18,113**	**($129,141)**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	$488,469	$724,623	$29,365	$132,400
Operating expenses	(386,649)	(706,191)	293	(39,122)
Depreciation expense		(33,637)	(4,724)	(35,016)
Operating income (loss)	**101,820**	**(15,205)**	**24,934**	**58,262**
Nonoperating revenues (expenses), net	87,101	31,760	(16,635)	(67,013)
Income (loss) before other changes in net position	**188,921**	**16,555**	**8,299**	**(8,751)**
Transfers from University			(3,925)	
Other, including donated assets	548	2,368		
Change in net position	**189,469**	**18,923**	**4,374**	**(8,751)**
Net position – beginning of year	276,181	749,116	13,739	(120,390)
Net position – end of year	**$465,650**	**$768,039**	**$18,113**	**($129,141)**
CONDENSED STATEMENT OF CASH FLOWS				
Net cash provided (used) by:				
Operating activities	($445,408)	$26,950	$17,887	$70,992
Noncapital financing activities	2,100	20,840	22	
Capital and related financing activities		(58,167)	(30,522)	(99,428)
Investing activities	5,432	3,472	(146)	8,436
Net change in cash and cash equivalents	**(437,876)**	**(6,905)**	**(12,759)**	**(20,000)**
Cash and cash equivalents – beginning of year	842,158	203,521	18,730	56,672
Cash and cash equivalents – end of year	**$404,282**	**$196,616**	**$5,971**	**$36,672**

Condensed financial statement information related to certain of the University's blended component units for the year ended June 30, 2022 is shown in Table 20.1b:

Table 20.1b: Condensed Financial Statement Information Related to Blended Component Units for 2022

(in thousands of dollars)	FIAT LUX	CHRCO	RESEARCH	HOUSING
CONDENSED STATEMENTS OF NET POSITION				
Current assets	$1,836,802	$332,360	$19,435	$477,263
Capital assets, net		439,373	130,578	1,322,719
Other assets	338,867	375,995	371,389	149,368
Total assets	**2,175,669**	**1,147,728**	**521,402**	**1,949,350**
Total deferred outflows of resources		**125,152**	**4,972**	
Current liabilities	996,981	213,183	29,211	91,824
Other noncurrent liabilities	902,507	262,537	483,424	1,977,916
Total liabilities	**1,899,488**	**475,720**	**512,635**	**2,069,740**
Total deferred inflows of resources		**48,044**		
Net investment in capital assets		319,697	36,792	
Restricted		106,644		
Unrestricted	276,181	322,775	(23,053)	(120,390)
Total net position	**$276,181**	**$749,116**	**$13,739**	**($120,390)**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	$471,401	$679,156	$28,730	$121,058
Operating expenses	(886,877)	(635,007)	922	(46,282)
Depreciation expense		(38,422)	(5,615)	(33,373)
Operating income (loss)	**(415,476)**	**5,727**	**24,037**	**41,403**
Nonoperating revenues (expenses), net	(114,509)	(733)	(17,600)	(63,260)
Income (loss) before other changes in net position	**(529,985)**	**4,994**	**6,437**	**(21,857)**
Transfers from University			(38,338)	
Other, including donated assets	397,000	23,338	191	
Change in net position	**(132,985)**	**28,332**	**(31,710)**	**(21,857)**
Net position – beginning of year	409,166	720,784	45,449	(98,533)
Net position – end of year	**$276,181**	**$749,116**	**$13,739**	**($120,390)**
CONDENSED STATEMENT OF CASH FLOWS				
Net cash provided (used) by:				
Operating activities	$68,833	$14,284	$29,092	($73,534)
Noncapital financing activities	400,000	24,551		
Capital and related financing activities		(31,444)	(59,497)	84,925
Investing activities	215,900	3,368	(178)	8,430
Net change in cash and cash equivalents	**684,733**	**10,759**	**(30,583)**	**19,821**
Cash and cash equivalents – beginning of year	157,425	192,762	49,313	36,851
Cash and cash equivalents – end of year	**$842,158**	**$203,521**	**$18,730**	**$56,672**

CHRCO's other assets include investments in the UCSF Foundation's Endowed Investment Pool of $315.2 million and $316.4 million at June 30, 2023 and 2022.

21. DISCRETELY PRESENTED COMPONENT UNIT INFORMATION — CAMPUS FOUNDATIONS

Under University policies, each individual campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach and other support for the missions of the campus and the University. Although independent boards govern these foundations, their assets are dedicated for the benefit of the University of California.

Condensed financial statement information related to the University's campus foundations, including their allocated share of the assets and liabilities associated with securities lending transactions in the University's investment pools, for the year ended June 30, 2023 is shown in Table 21.1a:

Table 21.1a: Condensed Financial Statement Information Related to the Foundations for 2023

(in thousands of dollars)	BERKELEY	SAN FRANCISCO	LOS ANGELES	SAN DIEGO	ALL OTHER	TOTAL
CONDENSED STATEMENT OF NET POSITION						
Current assets	$283,338	$491,074	$1,205,627	$236,242	$194,728	$2,411,009
Noncurrent assets	3,257,301	3,301,808	3,997,639	1,501,557	2,428,578	14,486,883
Total assets	**3,540,639**	**3,792,882**	**5,203,266**	**1,737,799**	**2,623,306**	**16,897,892**
Current liabilities	10,948	108,312	27,771	41,517	14,446	202,994
Noncurrent liabilities	73,316	45,535	29,365	7,756	23,335	179,307
Total liabilities	**84,264**	**153,847**	**57,136**	**49,273**	**37,781**	**382,301**
Total deferred inflows of resources	**56,904**	**29,089**	**45,131**	**58,059**	**21,439**	**210,622**
Restricted	3,395,599	3,609,570	3,834,536	1,595,420	2,539,192	14,974,317
Unrestricted	3,872	376	1,266,463	35,047	24,894	1,330,652
Total net position	**$3,399,471**	**$3,609,946**	**$5,100,999**	**$1,630,467**	**$2,564,086**	**$16,304,969**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION						
Operating revenues	$347,703	$1,005,533	$596,379	$117,617	$176,659	$2,243,891
Operating expenses	(569,618)	(482,687)	(436,773)	(168,717)	(238,651)	(1,896,446)
Operating income (loss)	**(221,915)**	**522,846**	**159,606**	**(51,100)**	**(61,992)**	**347,445**
Nonoperating revenues	258,211	108,376	254,873	136,106	152,691	910,257
Income before other changes in net position	**36,296**	**631,222**	**414,479**	**85,006**	**90,699**	**1,257,702**
Additions to permanent endowments	110,034	38,463	155,776	67,000	66,541	437,814
Change in net position	**146,330**	**669,685**	**570,255**	**152,006**	**157,240**	**1,695,516**
Net position – beginning of year	3,253,141	2,940,261	4,530,744	1,478,461	2,406,846	14,609,453
Net position – end of year	**$3,399,471**	**$3,609,946**	**$5,100,999**	**$1,630,467**	**$2,564,086**	**$16,304,969**
CONDENSED STATEMENT OF CASH FLOWS						
Net cash provided (used) by:						
Operating activities	($98,430)	($172,172)	$114,308	($53,585)	($76,080)	($285,959)
Noncapital financing activities	95,200	52,920	139,864	56,929	56,126	401,039
Investing activities	15,141	(134,101)	(317,773)	(10,197)	28,619	(418,311)
Net change in cash and cash equivalents	**11,911**	**(253,353)**	**(63,601)**	**(6,853)**	**8,665**	**(303,231)**
Cash and cash equivalents – beginning of year	29,997	422,910	68,234	7,192	47,268	575,601
Cash and cash equivalents – end of year	**$41,908**	**$169,557**	**$4,633**	**$339**	**$55,933**	**$272,370**

Condensed financial statement information related to the University's campus foundations, including their allocated share of the assets and liabilities associated with securities lending transactions in the University's investment pools, for the year ended June 30, 2022 is shown in Table 21.1b:

Table 21.1b: Condensed Financial Statement Information Related to the Foundations for 2022

(in thousands of dollars)	BERKELEY	SAN FRANCISCO	LOS ANGELES	SAN DIEGO	ALL OTHER	TOTAL
CONDENSED STATEMENT OF NET POSITION						
Current assets	$447,399	$524,316	$933,973	$210,280	$192,432	$2,308,400
Noncurrent assets	2,952,226	2,613,128	3,712,482	1,377,989	2,266,279	12,922,104
Total assets	**3,399,625**	**3,137,444**	**4,646,455**	**1,588,269**	**2,458,711**	**15,230,504**
Current liabilities	19,485	127,461	49,426	40,684	8,095	245,151
Noncurrent liabilities	73,728	39,550	29,954	7,573	22,254	173,059
Total liabilities	**93,213**	**167,011**	**79,380**	**48,257**	**30,349**	**418,210**
Total deferred inflows of resources	**53,271**	**30,172**	**36,331**	**61,551**	**21,516**	**202,841**
Restricted	3,250,109	2,939,890	3,597,765	1,446,975	2,385,217	13,619,956
Unrestricted	3,032	371	932,979	31,486	21,629	989,497
Total net position	**$3,253,141**	**$2,940,261**	**$4,530,744**	**$1,478,461**	**$2,406,846**	**$14,609,453**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION						
Operating revenues	$587,289	$514,165	$526,655	$136,196	$217,183	$1,981,488
Operating expenses	(361,772)	(444,814)	(381,558)	(125,389)	(259,485)	(1,573,018)
Operating income (loss)	**225,517**	**69,351**	**145,097**	**10,807**	**(42,302)**	**408,470**
Nonoperating expenses	(334,509)	(173,318)	(373,467)	(111,955)	(143,231)	(1,136,480)
Loss before other changes in net position	**(108,992)**	**(103,967)**	**(228,370)**	**(101,148)**	**(185,533)**	**(728,010)**
Additions to permanent endowments	169,549	85,638	154,539	60,142	107,304	577,172
Change in net position	**60,557**	**(18,329)**	**(73,831)**	**(41,006)**	**(78,229)**	**(150,838)**
Net position – beginning of year	3,192,584	2,958,590	4,604,575	1,519,467	2,485,075	14,760,291
Net position – end of year	**$3,253,141**	**$2,940,261**	**$4,530,744**	**$1,478,461**	**$2,406,846**	**$14,609,453**
CONDENSED STATEMENT OF CASH FLOWS						
Net cash provided (used) by:						
Operating activities	($96,500)	($40,129)	$190,147	($19,738)	($93,573)	($59,793)
Noncapital financing activities	135,136	104,945	138,413	51,191	86,041	515,726
Investing activities	(15,772)	87,592	(267,933)	(25,251)	4,361	(217,003)
Net change in cash and cash equivalents	**22,864**	**152,408**	**60,627**	**6,202**	**(3,171)**	**238,930**
Cash and cash equivalents – beginning of year	7,133	270,502	7,607	990	50,439	336,671
Cash and cash equivalents – end of year	**$29,997**	**$422,910**	**$68,234**	**$7,192**	**$47,268**	**$575,601**

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

22. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

Amounts committed but unexpended for construction projects totaled $8.5 billion at June 30, 2023. The University has a remaining commitment to contribute $60.0 million for investments in joint ventures at June 30, 2023. The University has a remaining commitment for one of its campuses through 2036 to provide $74.3 million for fire and other city-related services at June 30, 2023.

Contingencies

Substantial amounts are received and expended by the University, including its medical centers, under federal and state programs, and are subject to audit and other inquiries by cognizant governmental agencies and other parties. This funding relates to research, student aid, medical center operations and other programs. University management believes that any liabilities arising from such audits and other inquiries will not have a material effect on the University's financial position.

The University and the campus foundations are contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, University management and general counsel are of the opinion that the outcome of such matters will not have a material effect on the University's financial position.

23. SUBSEQUENT EVENTS

In September 2023, General Revenue bonds totaling $706.6 million, including $586.5 million in tax-exempt bonds, were issued to finance the acquisition, construction, improvement and renovation of certain facilities of the University. The bonds mature at various dates through 2035. Proceeds of the bonds, including a bond premium of $93.0 million, were used to pay for project construction and issuance costs. The fixed-rate tax-exempt bonds have a stated weighted average interest rate of 5.0 percent. The taxable bonds have a stated weighted average interest rate of 5.1 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

Required Supplementary Information *(Unaudited)*

UCRP

The schedule of changes in net pension liability includes multiyear trend information about whether the pension assets are increasing or decreasing over time relative to the pension liabilities. UCRP RSI Table 1 shows the schedule of changes in the net pension liability for UCRP as of June 30 for the past 10 years.

UCRP RSI Table 1: Changes in Net Position Liability

(in thousands of dollars)	2023	2022	2021	2020	2019
TOTAL PENSION LIABILITY					
Service cost	$2,753,510	$2,588,194	$2,564,134	$2,466,497	$1,946,612
Interest on the total pension liability	6,985,737	6,633,210	6,311,412	5,981,599	5,576,660
Changes in benefit terms	33,303				
Difference between expected and actual experience	451,908	284,807	462,839	(282,321)	334,605
Changes of assumptions or other inputs	469,788				7,816,717
Benefits paid, including refunds of employee contributions	(4,764,459)	(4,534,161)	(4,299,910)	(3,944,998)	(3,816,434)
Net change in total pension liability	**5,929,787**	**4,972,050**	**5,038,475**	**4,220,777**	**11,858,160**
Total pension liability - beginning of year	102,635,910	97,663,860	92,625,385	88,404,608	76,546,448
Total pension liability - end of year	**108,565,697**	**102,635,910**	**97,663,860**	**92,625,385**	**88,404,608**
PLAN NET POSITION					
Contributions - employer	2,770,474	2,892,621	2,705,058	2,444,025	2,408,650
Contributions - member	1,206,097	1,105,405	1,053,939	1,019,302	956,543
Contributions - state					
Net investment income	7,696,274	(9,765,875)	21,439,296	1,184,938	4,018,595
Benefits paid, including refunds of employee contributions	(4,764,459)	(4,534,161)	(4,299,910)	(3,944,998)	(3,816,434)
Administrative expense	(76,629)	(84,760)	(64,826)	(65,989)	(61,981)
Net change in plan net position	**6,831,757**	**(10,386,770)**	**20,833,557**	**637,278**	**3,505,373**
Plan net position - beginning of year	81,363,028	91,749,798	70,916,241	70,278,963	66,773,590
Plan net position - end of year	**88,194,785**	**81,363,028**	**91,749,798**	**70,916,241**	**70,278,963**
Net pension liability - end of year	**$20,370,912**	**$21,272,882**	**$5,914,062**	**$21,709,144**	**$18,125,645**

UCRP RSI Table 1: Changes in Net Position Liability *continued*

(in thousands of dollars)	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service cost	$1,873,004	$1,807,143	$1,710,241	$1,589,267	$1,519,183
Interest on the total pension liability	5,295,733	5,035,267	4,784,904	4,538,846	4,316,728
Difference between expected and actual experience	138,419	74,664	136,167	(112,155)	(320,624)
Changes of assumptions or other inputs				2,136,793	
Benefits paid, including refunds of employee contributions	(3,587,554)	(3,320,990)	(3,105,641)	(2,976,992)	(2,687,540)
Net change in total pension liability	**3,719,602**	**3,596,084**	**3,525,671**	**5,175,759**	**2,827,747**
Total pension liability - beginning of year	72,826,846	69,230,762	65,705,091	60,529,332	57,701,585
Total pension liability - end of year	**76,546,448**	**72,826,846**	**69,230,762**	**65,705,091**	**60,529,332**
PLAN NET POSITION					
Contributions - employer	2,335,874	2,385,576	2,426,683	2,510,046	1,580,876
Contributions - member	941,144	891,987	845,036	793,012	577,466
Contributions - state	169,000	171,000	96,000		
Net investment income	4,837,552	7,866,281	(1,104,655)	1,993,801	8,009,980
Benefits paid, including refunds of employee contributions	(3,587,554)	(3,320,990)	(3,105,642)	(2,976,993)	(2,687,540)
Administrative expense	(36,684)	(44,128)	(48,340)	(48,283)	(37,641)
Net change in plan net position	**4,659,332**	**7,949,726**	**(890,918)**	**2,271,583**	**7,443,141**
Plan net position - beginning of year	62,114,258	54,164,532	55,055,450	52,783,867	45,340,726
Plan net position - end of year	**66,773,590**	**62,114,258**	**54,164,532**	**55,055,450**	**52,783,867**
Net pension liability - end of year	**$9,772,858**	**$10,712,588**	**$15,066,230**	**$10,649,641**	**$7,745,465**

Notes to Required Supplementary Information for the Year Ended June 30, 2023: UCRP

Changes of benefit terms. UCRP was amended during the fiscal year ended June 30, 2023 to provide a one-time cost-of-living adjustment (ad-hoc COLA) to a cohort of retirees. There were no changes to the size or composition of the covered population in any of the fiscal years in the 10 year period which ended June 30, 2023, that significantly affected the total pension liability.

Changes of assumptions. Actuarial assumptions were changed three times during the 10 year period which ended June 30, 2023, each time coinciding with an experience study. Amounts reported in 2023 include an adjustment to the mortality assumption reflecting longer life expectancy. Amounts reported in 2019 include an adjustment to the mortality assumption reflecting longer life expectancy and a decrease in the investment rate of return from 7.25 percent to 6.75 percent. Amounts reported in 2015 include an adjustment to the mortality assumption reflecting longer life expectancy and a decrease in the investment rate of return from 7.50 percent to 7.25 percent.

UCRP RSI Table 2 presents a 10-year history of the ratio of net pension liability to total pension liability and the net pension liability as a percentage of covered payroll.

UCRP RSI Table 2: Ratio of Net Pension Liability to Total Pension Liability

(in thousands of dollars)	**2023**	**2022**	**2021**	**2020**	**2019**
Total pension liability	$108,565,697	$102,635,910	$97,663,860	$92,625,385	$88,404,608
Plan net position	88,194,785	81,363,028	91,749,798	70,916,241	70,278,963
Net pension liability	**$20,370,912**	**$21,272,882**	**$5,914,062**	**$21,709,144**	**$18,125,645**
Ratio of plan net position to total pension liability	81.2%	79.3%	93.9%	76.6%	79.5%
Covered payroll	$15,191,170	$13,921,086	$13,215,494	$13,056,696	$12,168,209
Net pension liability as a percentage of covered payroll	134.1%	152.8%	44.8%	166.3%	149.0%

(in thousands of dollars)	**2018**	**2017**	**2016**	**2015**	**2014**
Total pension liability	$76,546,448	$72,826,846	$69,230,762	$65,705,091	$60,529,332
Plan net position	66,773,590	62,114,258	54,164,532	55,055,450	52,783,867
Net pension liability	**$9,772,858**	**$10,712,588**	**$15,066,230**	**$10,649,641**	**$7,745,465**
Ratio of plan net position to total pension liability	87.2%	85.3%	78.2%	83.8%	87.2%
Covered payroll	$11,923,489	$11,301,506	$10,689,424	$10,047,570	$9,372,583
Net pension liability as a percentage of covered payroll	82.0%	94.8%	140.9%	106.0%	82.6%

The Regents' funding policy provides for actuarially determined contributions at rates reasonably expected to maintain UCRP on an actuarially sound basis. LBNL is required to make employer and employee contributions in conformity with The Regents' contract with the DOE. The annual contribution deficiency as of June 30 is presented in UCRP RSI Table 3 below:

UCRP RSI Table 3: Annual Contribution Deficiency

(in thousands of dollars)

YEAR ENDED JUNE 30	ACTUARIALLY DETERMINED CONTRIBUTIONS	CONTRIBUTIONS IN RELATION TO ACTUARIAL CONTRIBUTIONS	CONTRIBUTION DEFICIENCY (EXCESS)	COVERED PAYROLL	CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL
2023	$3,814,606	$2,770,474	$1,044,132	$15,191,170	18%
2022	3,712,774	2,892,621	820,153	13,921,086	21
2021	3,523,568	2,705,058	818,510	13,215,494	20
2020	2,516,234	2,444,025	72,209	13,056,696	19
2019	2,742,671	2,408,650	334,021	12,168,209	20
2018	2,669,169	2,504,874	164,295	11,923,489	21
2017	2,654,710	2,556,576	98,134	11,301,506	23
2016	2,610,953	2,522,683	88,270	10,689,424	24
2015	2,664,384	2,510,046	154,338	10,047,570	25
2014	2,472,697	1,580,876	891,821	9,372,583	17

UCRP RSI Table 4: Methods and Assumptions Used to Determine Contribution Rates

NOTES TO SCHEDULE

Methods and assumptions used to determined contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age actuarial cost method.
Amortization method	Level dollar, closed periods.
Remaining amortization period	15.82 years as of July 1, 2022. The July 1, 2010 amortization bases were combined into a single amortization base and amortized over 30 years. Any changes in Unfunded Actuarial Accrued Liability (UAAL) due to actuarial experience gains or losses after July 1, 2010, are separately amortized over a fixed (closed) 30-year period effective with that valuation. Any changes in UAAL due to a change in actuarial assumptions or plan provisions are separately amortized over a fixed (closed)15-year period. Any changes in UAAL due to actuarial experience gains or losses or a change in actuarial assumptions after July 1, 2014, are separately amortized over a fixed (closed) 20-year period. Any changes in UAAL due to plan amendments after July 1, 2014 affecting non-active members are separately amortized over a fixed (closed) 10-year period.
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years. An unrecognized return is equal to the difference between the actual and the expected return on a market value basis and is recognized over a five-year period.
Inflation	2.50%.
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation.
Projected salary increases	3.65-5.95%, varying by service, including inflation.
Cost-of-living adjustments	2.00%
Mortality	Actives and inactives: Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table. Healthy retired members: Pub-2010 Healthy Teacher Amount-Weighted Above-Median Mortality Table, multiplied by 90 percent for male faculty members, 95 percent for female faculty members, 100 percent for other male members and 110 percent for other female members. Beneficiaries of retired members: Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table multiplied by 100 percent for males and 90 percent for females. Disabled members: Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table. All mortality tables listed above are projected generationally with the two-dimensional mortality improvement scale MP-2018.

UC-VERIP

The schedule of changes in net pension liability includes multiyear trend information about whether the pension assets are increasing or decreasing over time relative to the pension liabilities. UC-VERIP RSI Table 1 shows the schedule of changes in the net pension liability for the UC-VERIP as of June 30:

UC-VERIP RSI Table 1: Changes in Net Pension Liability

(in thousands of dollars)	**2023**	**2022**	**2021**	**2020**	**2019**
TOTAL PENSION LIABILITY					
Interest on the total pension liability	$1,181	$1,384	$1,513	$1,656	$1,983
Difference between expected and actual experience	(1,242)	108	179	(1,342)	(79)
Changes of assumptions or other inputs	(440)				714
Benefits paid, including refunds of employee contributions	(2,987)	(3,324)	(3,750)	(4,142)	(4,213)
Net change in total pension liability	**(3,488)**	**(1,832)**	**(2,058)**	**(3,828)**	**(1,595)**
Total pension liability - beginning of year	20,227	22,059	24,117	27,945	29,540
Total pension liability - end of year	**16,739**	**20,227**	**22,059**	**24,117**	**27,945**
PLAN NET POSITION					
Net investment income	5,955	(7,853)	18,277	1,049	3,748
Benefits paid, including refunds of employee contributions	(2,987)	(3,324)	(3,750)	(4,142)	(4,213)
Administrative expense	(3)	(3)	(4)	(4)	(5)
Net change in plan net position	**2,965**	**(11,180)**	**14,523**	**(3,097)**	**(470)**
Plan net position - beginning of year	65,024	76,204	61,681	64,778	65,248
Plan net position - end of year	**67,989**	**65,024**	**76,204**	**61,681**	**64,778**
Net pension surplus - end of year	**($51,250)**	**($44,797)**	**($54,145)**	**($37,564)**	**($36,833)**

(in thousands of dollars)	**2018**	**2017**	**2016**	**2015**	**2014**
TOTAL PENSION LIABILITY					
Interest on the total pension liability	$2,042	$2,463	$2,533	$2,704	$2,857
Difference between expected and actual experience	(436)	(189)	(650)	242	(436)
Changes of assumptions or other inputs				1,837	
Benefits paid, including refunds of employee contributions	(4,610)	(4,738)	(4,937)	(5,081)	(5,169)
Net change in total pension liability	**(3,004)**	**(2,464)**	**(3,054)**	**(298)**	**(2,748)**
Total pension liability - beginning of year	32,544	35,008	38,062	38,360	41,108
Total pension liability - end of year	**29,540**	**32,544**	**35,008**	**38,062**	**38,360**
PLAN NET POSITION					
Net investment income	4,885	8,666	(1,425)	2,550	11,035
Benefits paid, including refunds of employee contributions	(4,610)	(4,738)	(4,937)	(5,081)	(5,169)
Administrative expense	(5)	(6)	(7)	(6)	(6)
Net change in plan net position	**270**	**3,922**	**(6,369)**	**(2,537)**	**5,860**
Plan net position - beginning of year	64,978	61,056	67,425	69,962	64,102
Plan net position - end of year	**65,248**	**64,978**	**61,056**	**67,425**	**69,962**
Net pension surplus - end of year	**($35,708)**	**($32,434)**	**($26,048)**	**($29,363)**	**($31,602)**

Notes to Required Supplementary Information for the Year Ended June 30, 2023: UC-VERIP

Changes of benefit terms. There were no changes in benefit terms or the size or composition of the covered population in any of the fiscal years in the 10 year period which ended June 30, 2023, that significantly affected the total pension liability.

Changes of assumptions. Actuarial assumptions were changed three times during the 10 year period which ended June 30, 2023, each time coinciding with an experience study. Amounts reported in 2023 include an adjustment to the mortality assumption reflecting longer life expectancy. Amounts reported in 2019 include an adjustment to the mortality assumption reflecting longer life expectancy and a decrease in the investment rate of return from 7.25 percent to 6.75 percent. Amounts reported in 2015 include an adjustment to the mortality assumption reflecting longer life expectancy and a decrease in the investment rate of return from 7.50 percent to 7.25 percent.

UC-VERIP RSI Table 2 presents a 10-year history of the ratio of net pension liability to total pension liability.

UC-VERIP RSI Table 2: Ratio of Net Pension Liability to Total Pension Liability

(in thousands of dollars)	**2023**	**2022**	**2021**	**2020**	**2019**
Total pension liability	$16,739	$20,227	$22,059	$24,117	$27,945
Plan net position	67,989	65,024	76,204	61,681	64,778
Net pension surplus	**($51,250)**	**($44,797)**	**($54,145)**	**($37,564)**	**($36,833)**
Ratio of plan net position to total pension liability	406.2%	321.5%	345.5%	255.8%	231.8%

(in thousands of dollars)	**2018**	**2017**	**2016**	**2015**	**2014**
Total pension liability	$29,540	$32,544	$35,008	$38,062	$38,360
Plan net position	65,248	64,978	61,056	67,425	69,962
Net pension surplus	**($35,708)**	**($32,434)**	**($26,048)**	**($29,363)**	**($31,602)**
Ratio of plan net position to total pension liability	220.9%	199.7%	174.4%	177.1%	182.4%

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

CHRCO PENSION PLAN

The schedule of changes in net pension liability includes multiyear trend information about whether the pension assets are increasing or decreasing over time relative to the pension liabilities. CHRCO RSI Table 1 shows the schedule of changes in the net pension liability for the CHRCO as of June 30:

CHRCO RSI Table 1: Changes in Net Pension Liability

(in thousands of dollars)	2023	2022	2021	2020	2019
TOTAL PENSION LIABILITY					
Service cost	$14,159	$15,775	$14,873	$12,648	$11,430
Interest on the total pension liability	44,522	42,159	38,932	36,005	34,165
Changes of benefit terms					
Difference between expected and actual experience	6,851	1,058	18,527	23,581	5,214
Changes of assumptions or other inputs	(23,590)	(22,525)	(2,413)	28,609	(9,540)
Benefits paid, including refunds of employee contributions	(25,027)	(22,683)	(19,684)	(17,262)	(15,143)
Net change in total pension liability	**16,915**	**13,784**	**50,235**	**83,581**	**26,126**
Total pension liability - beginning of year	657,935	644,151	593,916	510,335	484,209
Total pension liability - end of year	**674,850**	**657,935**	**644,151**	**593,916**	**510,335**
PLAN NET POSITION					
Contributions - employer	41,400	37,452	31,752	31,200	31,200
Net investment income (loss)	73,339	(94,275)	111,835	(7,468)	25,203
Benefits paid, including refunds of employee contributions	(25,027)	(22,683)	(19,684)	(17,262)	(15,143)
Administrative expense	(4,073)	(4,062)	(3,600)	(3,598)	(2,711)
Net change in plan net position	**85,639**	**(83,568)**	**120,303**	**2,872**	**38,549**
Total plan net position - beginning of year	538,217	621,785	501,482	498,610	460,061
Total plan net position - end of year	**623,856**	**538,217**	**621,785**	**501,482**	**498,610**
Net pension liability - end of year	**$50,994**	**$119,718**	**$22,366**	**$92,434**	**$11,725**

(in thousands of dollars)	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service cost	$11,304	$9,910	$10,410	$9,448	$9,274
Interest on the total pension liability	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	3,609	2,442	(3,690)	762	2,487
Changes of assumptions or other inputs			3,613	33,105	
Benefits paid, including refunds of employee contributions	(12,802)	(11,767)	(9,509)	(8,082)	(6,994)
Net change in total pension liability	**34,057**	**30,290**	**28,630**	**59,956**	**27,362**
Total pension liability - beginning of year	450,152	419,862	391,232	331,276	303,914
Total pension liability - end of year	**484,209**	**450,152**	**419,862**	**391,232**	**331,276**
PLAN NET POSITION					
Contributions - employer	33,600	28,800	24,000	18,000	14,500
Net investment income	33,269	41,256	214	11,797	48,704
Benefits paid, including refunds of employee contributions	(12,802)	(11,767)	(9,509)	(8,082)	(6,994)
Administrative expense	(3,014)	(2,727)	(1,816)	(1,222)	(718)
Net change in plan net position	**51,053**	**55,562**	**12,889**	**20,493**	**55,492**
Total plan net position - beginning of year	409,008	353,446	340,557	320,064	264,572
Total plan net position - end of year	**460,061**	**409,008**	**353,446**	**340,557**	**320,064**
Net pension liability - end of year	**$24,148**	**$41,144**	**$66,416**	**$50,675**	**$11,212**

CHRCO RSI Table 2 presents a 10-year history of the ratio of net pension liability to total pension liability.

CHRCO RSI Table 2: Ratio of Net Pension Liability to Total Pension Liability

(in thousands of dollars)	2023	2022	2021	2020	2019
Total pension liability	$674,850	$657,935	$644,151	$593,916	$510,335
Plan net position	623,856	538,217	621,785	501,482	498,610
Net pension liability	**$50,994**	**$119,718**	**$22,366**	**$92,434**	**$11,725**
Ratio of plan net position to total pension liability	92.4%	81.8%	96.5%	84.4%	97.7%
Covered payroll	$224,898	$214,184	$220,208	$209,596	$190,599
Net pension liability as a percentage of covered payroll	22.7%	55.9%	10.2%	44.1%	6.2%

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

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

CHRCO RSI Table 3: Schedule of Employer Contributions

(in thousands of dollars)	**2023**	**2022**	**2021**	**2020**	**2019**
Actuarially calculated employer contributions	$17,990	$11,050	$15,270	$22,070	$17,870
Contributions in relation to the actuarially calculated employer contribution	41,400	37,452	31,752	31,200	31,200
Annual contribution deficiency (excess)	**($23,410)**	**($26,402)**	**($16,482)**	**($9,130)**	**($13,330)**
Covered payroll	224,898	$214,184	$220,208	$209,596	$190,599
Actual contributions as a percentage of covered payroll	18.4%	17.5%	14.4%	14.9%	16.4%

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

CHRCO RSI Table 4: Methods and Assumptions Used to Determine Contribution Rates

NOTES TO SCHEDULE

Methods and assumptions used to determine contribution rates:

Valuation date	Actuarially calculated contributions are calculated as of January 1 of the fiscal year (for the Rep Plan) and as of July 1 of the beginning of the fiscal year (for the Unrep Plan) 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 to June 30, 2015, and after includes HATFA. The contribution for July 1, 2020 and after reflects the American Rescue Plan Act of 2021 (ARPA) and Infrastructure Investment and Jobs Act ("IIJA") of 2021. For the Rep Plan, the actuarially determined contribution represents half of the prior plan year and half of the current plan year required minimum contribution amounts.
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 15-year period from the valuation date as specified under PPA.
Remaining amortization period	15 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 two-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	3.0% for the Rep Plan and Unrep Plan.
Investment rate of return	7.0% for the Rep Plan and Unrep Plan.
Projected salary increases	Represented employees: 4.0% for FYE23, 4.10% for FYE24, 4.3% for FYE25, 3.5% for FYE26 and thereafter; Unrepresented employees: 4.0% for FYE23, 4.5% for FYE24, 4.0% for FYE25 and 3.5% for FYE26 and thereafter.
Cost-of-living adjustments	N/A.
Mortality	IRS generational mortality table prescribed for the valuation year. Pri-2012 total dataset mortality table for males or females, as appropriate, with MP-2021 generational for mortality improvements.

University Retiree Health Benefits Program

The schedule of changes in the net retiree health benefits liability includes multiyear trend information about whether the net retiree health benefits liability is increasing or decreasing over time relative to the pension liabilities. The University's net retiree health benefits liability includes liabilities for campuses, medical centers and LBNL.

UCRHBP RSI Table 1 shows the schedule of changes in the net retiree health benefits liability as of June 30 for the past 10 years.

UCRHBP RSI Table 1: Changes in Net Retiree Health Benefits Liability

(in thousands of dollars)	2023	2022	2021	2020	2019
TOTAL RETIREE HEALTH BENEFITS LIABILITY					
Service cost	$912,741	$1,336,924	$1,296,146	$912,067	$815,654
Interest on the total retiree health benefits liability	743,948	565,679	554,169	724,584	758,521
Changes of benefit terms					(29,315)
Difference between expected and actual experience	917,259	177,238	(521,647)	(1,539,139)	(1,219,146)
Changes of assumptions or other inputs	96,545	(6,341,718)	212,837	4,354,033	1,124,039
Retiree contributions	89,525	90,710	88,625	86,166	85,820
Benefits paid	(591,124)	(565,532)	(551,760)	(546,616)	(512,824)
Net change in total retiree health benefits liability	**2,168,894**	**(4,736,699)**	**1,078,370**	**3,991,095**	**1,022,749**
Total retiree health benefits liability - beginning of year	20,351,361	25,088,060	24,009,690	20,018,595	18,995,846
Total retiree health benefits liability - end of year	**22,520,255**	**20,351,361**	**25,088,060**	**24,009,690**	**20,018,595**
PLAN NET POSITION					
University contributions	512,458	486,761	482,099	462,609	451,437
Retiree contributions	89,525	90,710	88,625	86,166	85,820
Net investment income	7,345	345	208	2,281	3,195
Insurance premiums	(591,124)	(565,532)	(551,760)	(546,616)	(512,824)
Other deductions	(4,854)	(4,431)	(4,369)	(4,531)	(4,300)
Net change in retiree health benefits net position	**13,350**	**7,853**	**14,803**	**(91)**	**23,328**
Retiree health benefits net position - beginning of year	179,474	171,621	156,818	156,909	133,581
Retiree health benefits net position - end of year	**192,824**	**179,474**	**171,621**	**156,818**	**156,909**
Net retiree health benefits liability - end of year	**$22,327,431**	**$20,171,887**	**$24,916,439**	**$23,852,872**	**$19,861,686**

UCRHBP RSI Table 1: Changes in Net Retiree Health Benefits Liability *continued*

(in thousands of dollars)	2018	2017	2016	2015
TOTAL RETIREE HEALTH BENEFITS LIABILITY				
Service cost	$835,154	$1,004,644	$830,041	$702,935
Interest on the total retiree health benefits liability	716,777	646,279	735,294	719,853
Difference between expected and actual experience	(1,173,742)	101,280	(1,948,111)	
Changes of assumptions or other inputs	(354,585)	(3,827,924)	3,925,503	1,402,476
Retiree contributions	79,849	72,716	65,705	56,340
Benefits paid	(504,745)	(467,846)	(451,166)	(435,189)
Net change in total retiree health benefits liability	**(401,292)**	**(2,470,851)**	**3,157,266**	**2,446,415**
Total retiree health benefits liability - beginning of year	19,397,138	21,867,989	18,710,723	16,264,308
Total retiree health benefits liability - end of year	**18,995,846**	**19,397,138**	**21,867,989**	**18,710,723**
PLAN NET POSITION				
University contributions	453,988	432,953	410,945	367,416
Retiree contributions	79,849	72,716	65,705	56,340
Net investment income	1,634	606	155	41
Insurance premiums	(504,745)	(467,846)	(451,166)	(435,189)
Other deductions	(3,859)	(4,256)	(3,743)	(3,147)
Net change in retiree health benefits net position	**26,867**	**34,173**	**21,896**	**(14,539)**
Retiree health benefits net position - beginning of year	106,714	72,541	50,645	65,184
Retiree health benefits net position - end of year	**133,581**	**106,714**	**72,541**	**50,645**
Net retiree health benefits liability - end of year	**$18,862,265**	**$19,290,424**	**$21,795,448**	**$18,660,078**

UCRHBP RSI Table 2 presents a 10-year history of the ratio of net retiree health benefits liability to total retiree health benefits liability and the net retiree health benefits liability as a percentage of covered payroll.

University Retiree Health Benefits Program RSI Table 2: Schedule of Net Retiree Health Benefits Liability

(in thousands of dollars)	**2023**	**2022**	**2021**	**2020**	**2019**
Total retiree health benefits liability	$22,520,255	$20,351,361	$25,088,060	$24,009,690	$20,018,595
Retiree health benefits net position	192,824	179,474	171,621	156,818	156,909
Net retiree health benefits liability	**$22,327,431**	**$20,171,887**	**$24,916,439**	**$23,852,872**	**$19,861,686**
Ratio of retiree health benefits net position to total retiree health benefits liability	0.9%	0.9%	0.7%	0.7%	0.8%
Covered payroll	$17,108,454	$15,453,288	$13,975,566	$13,461,790	$12,717,122
Net retiree health benefits liability as a percentage of covered payroll	130.5%	130.5%	178.3%	177.2%	156.2%
Discount rate	3.65%	3.54%	2.16%	2.21%	3.50%

(in thousands of dollars)	**2018**	**2017**	**2016**	**2015**
Total retiree health benefits liability	$18,995,846	$19,397,138	$21,867,989	$18,710,723
Retiree health benefits net position	133,581	106,714	72,541	50,645
Net retiree health benefits liability	**$18,862,265**	**$19,290,424**	**$21,795,448**	**$18,660,078**
Ratio of retiree health benefits net position to total retiree health benefits liability	0.7%	0.6%	0.3%	0.3%
Covered payroll	$12,391,018	$11,495,997	$10,689,424	$10,047,570
Net retiree health benefits liability as a percentage of covered payroll	152.2%	167.8%	203.9%	185.7%
Discount rate	3.87%	3.58%	2.85%	3.80%

UCRHBP RSI Table 3: Notes to Schedule

Mortality

June 30, 2023 measurement date

Active and inactive: Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table.

Healthy: Pub-2010 Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table multiplied by 90 percent for faculty members or 110 percent and 105 percent for other male and female members, respectively.

Beneficiaries of retired members: After the expected or actual death of the retired member: Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table multiplied by 100 percent for males and 95 percent for females. While retired member is alive: rates for healthy retired members.

Disabled: Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table multiplied by 85 percent.

All mortality tables listed above are projected generationally with the two-dimensional mortality improvement scale MP-2021.

June 30, 2022 measurement date

Active and inactive: Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table.

Healthy: Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table, multiplied by 90 percent for faculty members, 110 percent for other male members and 115 percent for other female members.

Beneficiaries of retired members: Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table.

Disabled: Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table.

All mortality tables listed above are projected generationally with the two-dimensional mortality improvement scale MP-2018.

Changes of benefit terms

In 2019, University contributions for retirees age 65 and older not eligible for Medicare were reduced to levels comparable to Medicare-eligible retirees over a three-year period.

Changes of assumptions or other inputs

Changes of assumptions and other inputs primarily reflect the effects of changes in the discount rate and health care cost trend rate in each period. The following are the health care cost trend assumptions used in each period:

As of June 30	Health Care Cost Trend Rate
2023	(3.1%) to 29.1% decreasing to 3.9% in 2075
2022	1.4% to 14.6% decreasing to 3.9% in 2075
2021	2.7% to 7.5% decreasing to 4.0% in 2075
2020	2.7% to 9.0% decreasing to 4.0% in 2076
2019	4.4% to 9.4% decreasing to 4.0% in 2077
2018	5.0% to 9.3% decreasing to 5.0% in 2033
2017	5.0% to 9.5% decreasing to 5.0% in 2032
2016	6.3% to 9.0% decreasing to 5.0% in 2031
2015	6.6% to 10.0% decreasing to 5.0% in 2030

University of California Retiree Health Benefit Trust

The schedule of changes in the net retiree health benefits liability includes multiyear trend information about whether the trust assets are increasing or decreasing over time relative to the total retiree health benefits liability for the campuses and medical centers.

UCRHBT's schedule of changes in net retiree health benefits liability as of, and for, the year ending June 30 is:

UCRHBT RSI Table 1: Schedule of Changes in Net Retiree Health Benefits Liability

(in thousands of dollars)	2023	2022	2021	2020	2019
TOTAL RETIREE HEALTH BENEFIT LIABILITY					
Service cost	$891,714	$1,305,803	$1,270,153	$893,557	$798,249
Interest on the total retiree health benefits liability	722,279	549,921	538,187	702,640	734,693
Changes of benefit terms					(28,401)
Difference between expected and actual experience	888,337	138,495	(493,529)	(1,474,623)	(1,175,284)
Changes of assumptions or other inputs	90,193	(6,167,373)	206,722	4,222,620	1,091,609
Retiree contributions	86,800	87,861	85,607	83,111	82,710
Benefits paid	(569,634)	(544,166)	(529,804)	(525,262)	(490,615)
Net change in total retiree health benefits liability	**2,109,689**	**(4,629,459)**	**1,077,336**	**3,902,043**	**1,012,961**
Total retiree health benefits liability - beginning of year	19,750,973	24,380,432	23,303,096	19,401,053	18,388,092
Total retiree health benefits liability - end of year	**21,860,662**	**19,750,973**	**24,380,432**	**23,303,096**	**19,401,053**
PLAN NET POSITION					
University contributions	493,693	468,244	463,161	444,310	432,338
Retiree contributions	86,800	87,861	85,607	83,111	82,710
Net investment income	7,345	345	208	2,281	3,195
Insurance premiums	(569,634)	(544,166)	(529,804)	(525,262)	(490,615)
Other deductions	(4,854)	(4,431)	(4,369)	(4,531)	(4,300)
Net change in UCRHBT net position	**13,350**	**7,853**	**14,803**	**(91)**	**23,328**
UCRHBT net position - beginning of year	179,474	171,621	156,818	156,909	133,581
UCRHBT net position - end of year	**192,824**	**179,474**	**171,621**	**156,818**	**156,909**
Net retiree health benefits liability - end of year	**$21,667,838**	**$19,571,499**	**$24,208,811**	**$23,146,278**	**$19,244,144**

(in thousands of dollars)	2018	2017	2016	2015
TOTAL RETIREE HEALTH BENEFIT LIABILITY				
Service cost	$816,483	$981,745	$806,817	$683,320
Interest on the total retiree health benefits liability	694,562	625,947	711,365	695,999
Difference between expected and actual experience	(1,149,032)	95,254	(1,875,009)	
Changes of assumptions or other inputs	(353,516)	(3,707,921)	3,798,113	1,358,761
Retiree contributions	76,873	69,968	65,705	56,340
Benefits paid	(483,479)	(447,604)	(433,849)	(418,244)
Net change in total retiree health benefits liability	**(398,109)**	**(2,382,611)**	**3,073,142**	**2,376,176**
Total retiree health benefits liability - beginning of year	18,786,201	21,168,812	18,095,670	15,719,494
Total retiree health benefits liability - end of year	**18,388,092**	**18,786,201**	**21,168,812**	**18,095,670**
PLAN NET POSITION				
University contributions	435,698	415,459	393,628	350,471
Retiree contributions	76,873	69,968	65,705	56,340
Net investment income	1,634	606	155	41
Insurance premiums	(483,479)	(447,604)	(433,849)	(418,244)
Other deductions	(3,859)	(4,256)	(3,743)	(3,147)
Net change in UCRHBT net position	**26,867**	**34,173**	**21,896**	**(14,539)**
UCRHBT net position - beginning of year	106,714	72,541	50,645	65,184
UCRHBT net position - end of year	**133,581**	**106,714**	**72,541**	**50,645**
Net retiree health benefits liability - end of year	**$18,254,511**	**$18,679,487**	**$21,096,271**	**$18,045,025**

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

UCRHBT RSI Table 2: Schedule of Net Retiree Health Benefits Liability

(in thousands of dollars)	2023	2022	2021	2020	2019
Total retiree health benefits liability	$21,860,662	$19,750,973	$24,380,432	$23,303,096	$19,401,053
UCRHBT net position	192,824	179,474	171,621	156,818	156,909
Net retiree health benefits liability	**$21,667,838**	**$19,571,499**	**$24,208,811**	**$23,146,278**	**$19,244,144**
Ratio of UCRHBT net position to total retiree health benefits liability	0.9%	0.9%	0.7%	0.7%	0.8%
Covered payroll	$16,665,067	$15,048,178	$13,595,891	$13,104,846	$12,381,741
Net retiree health benefits liability as a percentage of covered payroll	130.0%	130.1%	178.1%	176.6%	155.4%
Discount rate	3.65%	3.54%	2.16%	2.21%	3.50%

(in thousands of dollars)	2018	2017	2016	2015
Total retiree health benefits liability	$18,388,092	$18,786,201	$21,168,812	$18,095,670
UCRHBT net position	133,581	106,714	72,541	50,645
Net retiree health benefits liability	**$18,254,511**	**$18,679,487**	**$21,096,271**	**$18,045,025**
Ratio of UCRHBT net position to total retiree health benefits liability	0.7%	0.6%	0.3%	0.3%
Covered payroll	$12,087,000	$11,196,485	$10,396,827	$9,758,795
Net retiree health benefits liability as a percentage of covered payroll	151.0%	166.8%	202.9%	184.9%
Discount rate	3.87%	3.58%	2.85%	3.80%

UCRHBT RSI Table 3: Notes to Schedule

	June 30, 2023 measurement date	**June 30, 2022 measurement date**
Mortality	Active and inactive: Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table. Healthy: Pub-2010 Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table multiplied by 90 percent for faculty members or 110 percent and 105 percent for other male and female members, respectively. Beneficiaries of retired members: After the expected or actual death of the retired member: Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table multiplied by 100 percent for males and 95 percent for females. While retired member is alive: rates for healthy retired members. Disabled: Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table multiplied by 85 percent. All mortality tables listed above are projected generationally with the two-dimensional mortality improvement scale MP-2021.	Active and inactive: Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table. Healthy: Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table, multiplied by 90 percent for faculty members, 110 percent for other male members and 115 percent for other female members. Beneficiaries of retired members: Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table. Disabled: Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table. All mortality tables listed above are projected generationally with the two-dimensional mortality improvement scale MP-2018.

Changes of benefit terms

In 2019, University contributions for retirees age 65 and older not eligible for Medicare were reduced to levels comparable to Medicare-eligible retirees over a three-year period.

Changes of assumptions or other inputs

Changes of assumptions and other inputs primarily reflect the effects of changes in the discount rate and health care cost trend rate in each period. The following are the health care cost trend assumptions used in each period:

As of June 30	Health Care Cost Trend Rate
2023	(3.1%) to 29.1% decreasing to 3.9% in 2075
2022	1.4% to 14.6% decreasing to 3.9% in 2075
2021	2.7% to 7.5% decreasing to 4.0% in 2075
2020	2.7% to 9.0% decreasing to 4.0% in 2076
2019	4.4% to 9.4% decreasing to 4.0% in 2077
2018	5.0% to 9.3% decreasing to 5.0% in 2033
2017	5.0% to 9.5% decreasing to 5.0% in 2032
2016	6.3% to 9.0% decreasing to 5.0% in 2031
2015	6.6% to 10.0% decreasing to 5.0% in 2030

UNIVERSITY OF CALIFORNIA

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As of November 2023

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UNIVERSITY
OF
CALIFORNIA

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

ucop.edu