

UNIVERSITY
OF
CALIFORNIA

Medical Centers Report

2025–26

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University of California's health system is committed to protecting and improving the health of all people across California, serving as a model for the nation and the world. As one of the nation's largest public academic health systems, we deliver exceptional care, train the health professionals of tomorrow and accelerate the pace of scientific discovery.

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Annual Report URL

https://www.ucop.edu/uc-controller/financial-reports/medical-center-financial-reports.html

All images included in this report are taken at various UC campuses, showing the depth and breadth of research, education and public service occurring at the University of California.

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At a Glance:
UC's Academic Medical Centers

UC has one of the largest public academic Medical Centers in the nation, providing care to people from 99% of California's ZIP codes.

The University's Medical Centers further UC's tripartite mission of education, research and public service as clinical training environments for future healthcare professionals educated through UC's health professional schools, locations for breakthrough clinical trial research, and points of service for delivery of life saving care.

Providing high-quality care to all Californians

Providing high-quality care to all Californians, UC's Medical Centers care for patients' everyday health needs, as well as patients with the most complex cases. UC Medical Centers provide healthcare services and capabilities that cannot be found at other healthcare providers in the state or are very limited in availability, such as cancer, burn, transplant and trauma care.

2.8 million **Patients**	**13.1 million** **Outpatient visits**	**1.6 million** **Inpatient days**
154,000 **Cancer patients**	**5 of 8** **National Cancer Institute-designated comprehensive cancer centers in California**	**665,000** **Emergency visits**
16,000 **Babies born**	**5,987** **Licensed beds**	**21** **Licensed acute, psychiatric and children's hospitals**

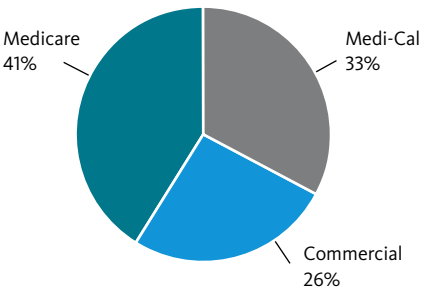
Together, UC Medical Centers provide significant amounts of service to Medi-Cal members

A self-supporting healthcare system

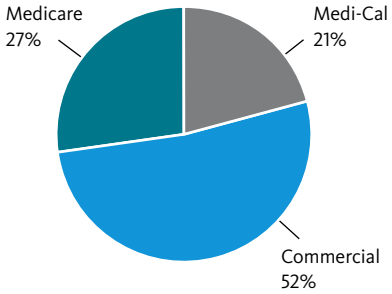
UC's not-for-profit Medical Centers are self-supporting clinical enterprises that generate their operating revenue through reimbursement for patient care provided. UC medical center clinical operations are not supported by California state general fund appropriations.

In FY 2024–2025, UC academic health centers and clinics contributed $7.3 billion in community benefit and uncompensated care.

Inpatient days by insurance type



Medical Centers net patient service revenue by source



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Facts in Brief *(Unaudited)*

University of California Medical Centers: Operating Statistics

Description	2026	2025	2024	2023	2022
Licensed beds [1]	5,987	5,847	5,296	3,904	3,955
Admissions	242,137	238,663	195,050	174,633	170,319
Average daily census	4,375	4,375	3,688	3,366	3,190
Discharges	242,165	238,547	194,889	174,696	170,269
Average length of stay (days)	6.6	6.7	6.8	7.0	6.8
Patient days	1,597,238	1,596,423	1,318,977	1,228,716	1,163,813
Outpatient visits [2]	13,099,436	12,033,955	10,781,470	10,060,885	9,485,269
Employees *(full-time-equivalents)* [3]	65,670	64,592	58,951	52,095	50,619

Notes:

[1] *Licensed beds are reported as of June 30 as approved by the California Department of Public Health, including all acquired hospitals during the year.*

[2] *Outpatient visits include Medical Center outpatient visits and, where applicable, School of Medicine and other non-hospital clinic visits consistent with the Medical Centers' report presentation.*

[3] *Employee full-time equivalents (FTEs) are all paid FTEs including productive, non-productive and temporary labor.*

University of California Medical Centers: Summary of Financial Information

Primary revenue sources

(in thousands of dollars)

Description	2026	2025	2024	2023*	2022*
Net patient service revenue	$26,270,263	$24,174,791	$20,424,057	$18,117,632	$16,503,633
Other operating revenue	1,816,781	1,670,310	1,141,348	1,152,659	1,016,342
Direct government grants	31,907	206,389	64,673	57,304	200,634
Total primary revenue sources	**$28,118,951**	**$26,051,490**	**$21,630,078**	**$19,327,595**	**$17,720,609**

**2023 and 2022 are not restated for Change in Accounting Principle — revenue recognition for Medi-Cal reimbursement programs or GASB 103.*

Net patient service revenue by payor

(by percentage)

Payor	2026	2025	2024	2023*	2022*
Contract	51.5%	53.1%	52.4%	53.4%	53.4%
Medicare	26.7	25.5	25.9	24.0	24.0
Medi-Cal	20.8	20.9	21.1	22.1	22.0
Non-sponsored/self-pay	1.0	0.5	0.6	0.5	0.5

**2023 and 2022 are not restated for Change in Accounting Principle — revenue recognition for Medi-Cal reimbursement programs*

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University of California Medical Centers: Summary of Financial Information *(continued)*

Operating expenses

(in thousands of dollars)

Description	2026	2025	2024	2023*	2022*
Salaries and wages	$10,161,068	$9,510,341	$7,948,443	$7,401,170	$6,553,653
Employee benefits [1]	3,768,692	3,163,427	3,537,675	3,743,653	3,367,245
Medical supplies	6,149,105	5,252,088	4,222,428	3,650,664	3,170,456
Professional services	2,042,584	1,921,977	1,683,218	1,437,116	1,285,944
Depreciation and amortization	1,013,193	905,143	802,605	781,569	752,880
Other	3,234,377	3,161,055	2,481,692	2,126,290	2,053,740
Total operating expenses	**$26,369,019**	**$23,914,031**	**$20,676,061**	**$19,140,462**	**$17,183,918**

Note:

**2023 and 2022 are not restated for GASB 101 or GASB 103*

[1] *Employee benefits include pension, retiree health benefits and other employee benefits.*

Condensed financial position

(in thousands of dollars)

Description	2026	2025	2024	2023*	2022*
Assets					
Cash and cash equivalents	$7,247,167	$6,542,668	$6,526,013	$5,933,825	$5,935,137
Net patient accounts receivable	4,276,168	3,934,936	3,373,127	2,797,311	2,441,163
Capital assets, net	16,362,433	14,826,746	13,141,424	10,590,830	9,637,675
Other assets and deferred outflows	9,829,457	9,103,544	8,511,177	9,192,622	10,968,257
Liabilities					
Outstanding debt	12,356,712	11,176,681	9,957,624	8,973,542	9,074,341
Obligations for pension	3,125,869	7,786,845	8,873,506	9,186,455	9,144,953
Obligations for retiree health benefits	8,653,630	7,044,551	7,048,491	7,230,991	6,461,531
Other liabilities and deferred inflows	15,548,767	11,047,651	9,159,858	7,124,191	7,618,416
Net position	**($1,969,753)**	**($2,647,834)**	**($3,487,738)**	**($4,000,591)**	**($3,317,009)**

**2023 and 2022 are not restated for GASB 101*

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Facts by Location *(Unaudited)*

University of California Medical Centers: Operating statistics

Description	Year	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Licensed beds [1]	2026	660	1,450	1,061	1,101	1,715	5,987
	2025	653	1,317	1,061	1,101	1,715	5,847
	2024	646	1,317	1,061	1,101	1,171	5,296
Admissions	2026	34,775	63,730	45,960	41,962	55,710	242,137
	2025	35,306	61,633	46,322	42,358	53,044	238,663
	2024	34,689	34,273	41,381	40,130	44,577	195,050
Average daily census	2026	619	1,032	922	759	1,043	4,375
	2025	632	1,024	919	772	1,028	4,375
	2024	621	565	908	725	869	3,688
Discharges	2026	34,851	63,641	45,959	41,988	55,726	242,165
	2025	35,244	61,493	46,471	42,412	52,927	238,547
	2024	34,662	33,907	41,331	40,219	44,770	194,889
Average length of stay (days)	2026	6.5	5.9	7.3	6.6	6.8	6.6
	2025	6.5	6.1	7.2	6.6	7.1	6.7
	2024	6.6	6.1	7.3	6.6	7.1	6.8
Patient days	2026	225,992	376,578	336,659	277,195	380,814	1,597,238
	2025	230,715	373,650	335,272	281,649	375,137	1,596,423
	2024	227,310	206,747	301,345	265,356	318,219	1,318,977
Case mix index [2]	2026	2.26	1.94	2.42	2.31	2.38	N/A
	2025	2.18	1.98	2.36	2.27	2.34	N/A
	2024	2.17	2.04	2.38	2.17	2.42	N/A
Employees *(full-time equivalents)* [3]	2026	11,769	12,373	12,345	11,091	18,092	65,670
	2025	11,992	11,210	12,084	11,224	18,082	64,592
	2024	12,053	9,938	11,150	10,301	15,509	58,951

Notes:

[1] *Licensed beds are reported as of June 30 as approved by the California Department of Public Health, including all acquired hospitals during the year.*

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

[3] *Employee FTEs are all paid FTEs including productive, non-productive and temporary labor.*

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University of California Medical Centers: Outpatient services volume

Description	Year	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Hospital clinics	2026	594,614	1,774,845	844,003	395,301	3,564,618	7,173,381
	2025	570,145	1,503,179	800,055	370,883	3,297,204	6,541,466
	2024	512,458	1,231,099	752,889	351,148	2,868,677	5,716,271
Community clinics [1]	2025	482,420					482,420
	2024	474,358					474,358
Home health and hospice [2]	2026	27,997					27,997
	2025	27,407					27,407
	2024	27,357					27,357
Emergency visits	2026	77,361	204,466	130,159	115,067	137,598	664,651
	2025	72,780	185,826	136,251	119,866	136,156	650,879
	2024	70,497	97,174	98,925	102,801	104,585	473,982
Total outpatient visits [3]	**2026**	**699,972**	**1,979,311**	**974,162**	**510,368**	**3,702,216**	**7,866,029**
	2025	**1,152,752**	**1,689,005**	**936,306**	**490,749**	**3,433,360**	**7,702,172**
	2024	**1,084,670**	**1,328,273**	**851,814**	**453,949**	**2,973,262**	**6,691,968**
School of Medicine and other non-hospital clinic visits [4]	2026	574,381	19,827	3,455,255	1,183,944		5,233,407
	2025	37,544	64,519	3,223,412	1,006,308		4,331,783
	2024	36,235	89,799	2,997,955	965,513		4,089,502
Total outpatient visits including School of Medicine and other non-hospital clinic visits	**2026**	**1,274,353**	**1,999,138**	**4,429,417**	**1,694,312**	**3,702,216**	**13,099,436**
	2025	**1,190,296**	**1,753,524**	**4,159,718**	**1,497,057**	**3,433,360**	**12,033,955**
	2024	**1,120,905**	**1,418,072**	**3,849,769**	**1,419,462**	**2,973,262**	**10,781,470**

Notes:

[1] *Davis community clinic visits revenues are reported by the School of Medicine effective fiscal year 2026.*

[2] *Home health and hospice visits are reported by Davis Medical Center only.*

[3] *Outpatient visits for San Francisco include School of Medicine and other non-hospital clinic visits.*

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

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University of California Medical Centers: Summary of Financial Information

Primary revenue sources

(in thousands of dollars)

Description	Year	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Net patient service revenue	2026	$3,940,494	$3,734,271	$4,815,891	$4,510,113	$9,269,494	$26,270,263
	2025	3,865,080	3,372,217	4,400,893	4,117,937	8,418,664	24,174,791
	2024	3,576,086	2,282,371	3,804,340	3,509,541	7,251,719	20,424,057
Other operating revenue	2026	209,328	230,971	666,766	176,284	533,432	1,816,781
	2025	199,415	205,203	621,961	154,122	489,609	1,670,310
	2024	167,147	157,330	393,215	159,595	264,061	1,141,348
Direct government grants	2026					31,907	31,907
	2025	3,104		10,265	4,706	188,314	206,389
	2024	1,151	10,342	38,487	2,976	11,717	64,673
Total primary revenue sources	**2026**	**$4,149,822**	**$3,965,242**	**$5,482,657**	**$4,686,397**	**$9,834,833**	**$28,118,951**
	2025	**4,067,599**	**3,577,420**	**5,033,119**	**4,276,765**	**9,096,587**	**26,051,490**
	2024	**3,744,384**	**2,450,043**	**4,236,042**	**3,672,112**	**7,527,497**	**21,630,078**

Net patient service revenue by payor

(by percentage)

Description	Year	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Contract	2026	52.2%	37.7%	59.5%	53.3%	51.8%	51.5%
	2025	52.9	43.4	56.2	51.1	56.4	53.1
	2024	51.8	42.0	56.2	51.1	54.6	52.4
Medicare	2026	25.7	37.0	25.2	27.4	23.6	26.7
	2025	25.3	33.7	27.7	26.8	20.7	25.5
	2024	25.5	33.9	27.3	28.9	21.2	25.9
Medi-Cal	2026	19.6	23.1	15.2	19.1	23.7	20.8
	2025	21.5	22.2	15.5	21.9	22.2	20.9
	2024	22.4	23.7	15.7	19.8	23.4	21.1
Non-sponsored/self-pay	2026	2.5	2.2	0.1	0.2	0.9	1.0
	2025	0.3	0.7	0.6	0.2	0.7	0.5
	2024	0.3	0.4	0.8	0.2	0.8	0.6

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University of California Medical Centers: Summary of Financial Information *(continued)*

Operating expenses

(in thousands of dollars)

Description	Year	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Salaries and wages	2026	$1,747,793	$1,701,865	$1,886,378	$1,554,637	$3,270,395	$10,161,068
	2025	1,679,300	1,468,555	1,755,855	1,483,212	3,123,419	9,510,341
	2024	1,639,897	919,962	1,546,999	1,277,720	2,563,865	7,948,443
Employee benefits [1]	2026	617,808	777,421	626,434	589,199	1,157,830	3,768,692
	2025	559,631	587,092	518,041	511,432	987,231	3,163,427
	2024	752,718	565,751	571,084	606,822	1,041,300	3,537,675
Medical supplies	2026	980,078	865,153	1,079,338	1,301,975	1,922,561	6,149,105
	2025	875,960	742,542	914,567	1,118,323	1,600,696	5,252,088
	2024	708,974	513,026	738,203	983,910	1,278,315	4,222,428
Professional services	2026	110,105	46,512	47,168	122,034	1,716,765	2,042,584
	2025	158,665	22,910	47,696	117,398	1,575,308	1,921,977
	2024	163,456	28,895	46,006	106,109	1,338,752	1,683,218
Depreciation and amortization	2026	189,503	223,628	199,822	154,075	246,165	1,013,193
	2025	165,025	187,792	187,181	130,668	234,477	905,143
	2024	162,823	127,020	164,283	123,493	224,986	802,605
Other	2026	318,206	689,564	843,797	485,274	897,536	3,234,377
	2025	360,855	667,576	816,580	462,157	853,887	3,161,055
	2024	356,913	361,916	640,085	427,111	695,667	2,481,692
Total operating expenses	**2026**	**$3,963,493**	**$4,304,143**	**$4,682,937**	**$4,207,194**	**$9,211,252**	**$26,369,019**
	2025	**3,799,436**	**3,676,467**	**4,239,920**	**3,823,190**	**8,375,018**	**23,914,031**
	2024	**3,784,781**	**2,516,570**	**3,706,660**	**3,525,165**	**7,142,885**	**20,676,061**

[1] *Employee benefits include pension, retiree health benefits and other employee benefits.*

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University of California Medical Centers: Summary of Financial Information *(continued)*

Condensed financial position

(in thousands of dollars, except for days cash on hand)

Description	Year	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Cash and cash equivalents	2026	$490,001	$310,663	$2,335,066	$619,441	$3,491,996	$7,247,167
	2025	549,586	380,054	2,134,849	521,570	2,956,609	6,542,668
	2024	708,316	633,455	1,965,849	428,750	2,789,643	6,526,013
Net patient accounts receivable	2026	737,946	620,873	687,517	622,049	1,607,783	4,276,168
	2025	698,559	596,550	658,083	544,657	1,437,087	3,934,936
	2024	648,588	422,644	605,336	530,701	1,165,858	3,373,127
Capital assets, net	2026	4,106,523	2,800,636	2,478,094	1,950,346	5,026,834	16,362,433
	2025	3,515,182	2,578,131	2,353,312	1,925,881	4,454,240	14,826,746
	2024	2,896,632	2,398,734	2,101,106	1,904,573	3,840,379	13,141,424
Other assets and deferred outflows	2026	1,136,999	1,938,728	2,114,619	1,045,726	3,593,385	9,829,457
	2025	1,510,632	1,731,916	1,863,954	937,825	3,059,217	9,103,544
	2024	1,388,690	1,747,249	1,919,620	987,992	2,467,626	8,511,177
Outstanding debt	2026	2,831,391	2,732,924	1,920,248	1,469,690	3,402,459	12,356,712
	2025	2,786,643	2,364,355	1,950,747	1,454,275	2,620,661	11,176,681
	2024	1,782,926	2,181,012	1,969,122	1,393,044	2,631,520	9,957,624
Obligations for pension [1][2]	2026	567,640	504,944	577,854	464,523	1,010,908	3,125,869
	2025	1,481,047	1,175,853	1,435,863	1,179,621	2,514,461	7,786,845
	2024	1,894,834	1,314,553	1,683,573	1,443,182	2,537,364	8,873,506
Obligations for retiree health benefits [2]	2026	1,619,421	1,364,989	1,606,029	1,278,968	2,784,223	8,653,630
	2025	1,326,900	1,048,980	1,284,010	1,054,942	2,329,719	7,044,551
	2024	1,495,319	1,050,984	1,343,961	1,139,851	2,018,376	7,048,491
Other liabilities and deferred inflows	2026	2,714,462	2,477,395	2,710,337	2,203,059	5,443,514	15,548,767
	2025	1,917,922	1,514,411	2,055,403	1,506,475	4,053,440	11,047,651
	2024	1,818,575	1,151,789	1,706,978	1,271,050	3,211,466	9,159,858
Net position	**2026**	**($1,261,445)**	**($1,409,352)**	**$800,828**	**($1,178,678)**	**$1,078,894**	**($1,969,753)**
	2025	**(1,238,553)**	**(816,948)**	**284,175**	**(1,265,380)**	**388,872**	**(2,647,834)**
	2024	**(1,349,428)**	**(496,256)**	**(111,723)**	**(1,395,111)**	**(135,220)**	**(3,487,738)**
Days cash on hand [3]	2026	47	29	221	56	157	N/A
	2025	54	41	219	51	143	N/A
	2024	75	108	241	48	165	N/A

Notes:

[1] *Obligations for pension include net pension liability and pension payable to University.*

[2] *Obligations for pension and retiree benefits represent each Medical Center's allocated share of the related obligations.*

[3] *Days cash on hand measures the average number of days' expenses the Medical Centers maintain in cash and unrestricted investments. The days cash on hand is adjusted for noncash retiree health benefits, pension and compensated absences expenses.*

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Management's Discussion and Analysis *(Unaudited)*

The objective of this Management's Discussion and Analysis is to help readers understand the financial position and operating results of the University of California's Medical Centers (the Medical Centers) for the year ended June 30, 2026, with comparative information for the years ended June 30, 2025 and 2024. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes to the financial statements. Unless otherwise indicated, references to years in this discussion refer to the fiscal years ended June 30.

Overview of the Financial Statements

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

The President of the University has delegated certain administrative authority to the Chancellor of each applicable campus. At each campus, direct management authority has been further delegated by the Chancellor as follows: for the UC Davis Medical Center, to the Vice Chancellor of Human Health Sciences; for the UC Irvine Medical Center, to the CEO and President; for the UCLA Medical Center, to the President of UCLA Health, CEO of UCLA Hospital System and Associate Vice Chancellor of UCLA Health Sciences; for the UC San Diego Medical Center, to the Vice Chancellor, Health Sciences, and for the UCSF Medical Center, to the Health System President and CEO.

The Medical Centers' financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and follow accounting standards established by the Governmental Accounting Standards Board (GASB). The financial statements use the economic resources measurement focus and the accrual basis of accounting.

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Financial Summary

Condensed Statements of Net Position

The statements of net position present the financial position of the Medical Centers at the end of each fiscal year. They display assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

Because each Medical Center issues separate financial statements, this section provides both a combined view of the Medical Centers and the key location-level indicators that explain changes in net position. This presentation highlights the balances that most directly affect liquidity, capital investment, long-term financing obligations and unrestricted net position.

The Medical Centers' total assets and deferred outflows of resources were $37.7 billion in 2026, compared with $34.4 billion in 2025 and $31.6 billion in 2024. Capital assets, net, increased by $1.5 billion, or 10.4 percent in 2026. Capital assets, net, increased by $1.7 billion, or 12.8 percent in 2025.

Total liabilities and deferred inflows of resources were $39.7 billion in 2026, compared with $37.1 billion in 2025 and $35.0 billion in 2024. Long-term financing obligations continue to support capital investments, seismic improvements, facility expansion and modernization of clinical operations.

Additional discussion of the material variances and drivers for total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is provided in the Detailed Analyses section.

Total net position improved by $678.1 million in 2026 and $840.5 million in 2025, reducing the deficit to ($2.0) billion at June 30, 2026. Net investment in capital assets increased by $380.5 million in 2026 and $327.1 million in 2025. The unrestricted net position deficit narrowed by $289.6 million in 2026 and $518.3 million in 2025 but remained substantial at ($7.9) billion at June 30, 2026. Pension and retiree health benefit liabilities continued to contribute to the unrestricted deficit. Restricted net position remained relatively stable over the three-year period.

Table MDA.1 presents condensed statements of net position in 2026, 2025 and 2024.

Table MDA.1: Condensed statements of net position of total Medical Centers at June 30, 2026, 2025 and 2024 *(in millions of dollars)*

Description	2026	2025	2024
Assets			
Current assets	$13,900	$12,715	$11,854
Capital assets, net	16,362	14,827	13,141
Other noncurrent assets	2,621	2,545	2,438
Total assets	**32,883**	**30,087**	**27,433**
Deferred outflows of resources	**4,832**	**4,321**	**4,118**
Liabilities			
Current liabilities	6,284	5,531	5,214
Long-term debt, net of current portion	11,617	10,402	8,952
Net pension liability	214	4,769	6,300
Net retiree health benefits liability	8,654	7,045	7,048
Other noncurrent liabilities	3,373	3,404	3,012
Total liabilities	**30,142**	**31,151**	**30,526**
Deferred inflows of resources	**9,543**	**5,905**	**4,513**
Net position			
Net investment in capital assets	5,786	5,406	5,079
Restricted	159	151	156
Unrestricted	(7,915)	(8,205)	(8,723)
Total net position	**($1,970)**	**($2,648)**	**($3,488)**

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Tables MDA.2a, **MDA.2b** and **MDA.2c** present condensed statements of net position by Medical Center in 2026, 2025 and 2024, respectively.

Table MDA.2a: Condensed statements of net position by Medical Center at June 30, 2026 *(in millions of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco
Assets					
Current assets	$1,497	$1,357	$3,681	$1,542	$5,822
Capital assets, net	4,107	2,801	2,478	1,950	5,027
Other noncurrent assets	312	30	772	218	1,290
Total assets	**5,916**	**4,188**	**6,931**	**3,710**	**12,139**
Deferred outflows of resources	**556**	**1,483**	**685**	**527**	**1,581**
Liabilities					
Current liabilities	1,084	1,242	1,010	728	2,219
Long-term debt, net of current portion, and other noncurrent liabilities	3,199	2,999	2,433	1,988	4,373
Net pension liability	38	40	38	31	67
Net retiree health benefits liability	1,619	1,365	1,606	1,279	2,784
Total liabilities	**5,940**	**5,646**	**5,087**	**4,026**	**9,443**
Deferred inflows of resources	**1,793**	**1,434**	**1,728**	**1,390**	**3,198**
Net position					
Net investment in capital assets	1,223	698	1,176	567	2,123
Restricted			12		146
Unrestricted	(2,484)	(2,107)	(387)	(1,746)	(1,190)
Total net position	**($1,261)**	**($1,409)**	**$801**	**($1,179)**	**$1,079**

Table MDA.2b: Condensed statements of net position by Medical Center at June 30, 2025 *(in millions of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco
Assets					
Current assets	$1,538	$1,264	$3,449	$1,416	$5,048
Capital assets, net	3,515	2,578	2,353	1,926	4,454
Other noncurrent assets	745	66	708	131	895
Total assets	**5,798**	**3,908**	**6,510**	**3,473**	**10,397**
Deferred outflows of resources	**475**	**1,379**	**500**	**457**	**1,510**
Liabilities					
Current liabilities	815	964	1,015	776	1,961
Long-term debt, net of current portion, and other noncurrent liabilities	3,307	2,574	2,492	1,785	3,647
Net pension liability	906	724	879	722	1,539
Net retiree health benefits liability	1,327	1,049	1,284	1,055	2,330
Total liabilities	**6,355**	**5,311**	**5,670**	**4,338**	**9,477**
Deferred inflows of resources	**1,157**	**793**	**1,056**	**857**	**2,041**
Net position					
Net investment in capital assets	1,124	663	1,010	580	2,029
Restricted			12		139
Unrestricted	(2,363)	(1,480)	(738)	(1,845)	(1,779)
Total net position	**($1,239)**	**($817)**	**$284**	**($1,265)**	**$389**

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Table MDA.2c: Condensed statements of net position by Medical Center at June 30, 2024 *(in millions of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco
Assets					
Current assets	$1,685	$1,299	$3,190	$1,207	$4,473
Capital assets, net	2,897	2,399	2,101	1,905	3,840
Other noncurrent assets	421	42	746	153	1,075
Total assets	**5,003**	**3,740**	**6,037**	**3,265**	**9,388**
Deferred outflows of resources	**639**	**1,461**	**554**	**587**	**876**
Liabilities					
Current liabilities	903	1,275	843	510	1,684
Long-term debt, net of current portion, and other noncurrent liabilities	2,394	1,804	2,441	1,893	3,431
Net pension liability	1,344	937	1,195	1,024	1,800
Net retiree health benefits liability	1,495	1,051	1,344	1,140	2,018
Total liabilities	**6,136**	**5,067**	**5,823**	**4,567**	**8,933**
Deferred inflows of resources	**856**	**631**	**880**	**680**	**1,466**
Net position					
Net investment in capital assets	1,234	655	807	566	1,817
Restricted			12	6	138
Unrestricted	(2,584)	(1,152)	(931)	(1,967)	(2,090)
Total net position	**($1,350)**	**($497)**	**($112)**	**($1,395)**	**($135)**

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Condensed Statements of Revenues, Expenses and Changes in Net Position

The Medical Centers implemented Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements* (GASB 103) in 2026. As a result, financial information for 2025 and 2024 has been restated to retroactively apply the new accounting standard.

Operating results

The statements of revenues, expenses and changes in net position present the Medical Centers' financial activity for each fiscal year. Operating revenues and expenses include activities related to the Medical Centers' principal ongoing operations, primarily patient care and other clinical services. Nonoperating revenues and expenses include noncapital subsidies, financing-related activity, investment income and interest expenses, capital subsidies, and other activities that are not part of the Medical Centers' principal ongoing operations. Subsidies are defined as meeting one of these criteria: (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, or (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

The Medical Centers' primary source of operating revenue is net patient service revenue. Operating expenses consist primarily of salaries and wages, employee benefits, medical supplies, professional services, depreciation and amortization, and other costs necessary to support patient care, clinical operations, facilities and administrative infrastructure.

Table MDA.3 presents a summarized comparison of the operating results by locations for 2026, 2025 and 2024, arranged in a format that matches the revenue supporting the primary activities of the Medical Centers with the expenses associated with these primary activities.

Table MDA.3: Operating results of total Medical Centers for the years ended June 30, 2026, 2025 and 2024 *(in millions of dollars)*

Description	Operating 2026	Nonoperating 2026	Total 2026	Operating 2025	Nonoperating 2025	Total 2025	Operating 2024	Nonoperating 2024	Total 2024
Revenues									
Net patient service revenue	$26,270		$26,270	$24,175		$24,175	$20,424		$20,424
Other revenue	1,817	$359	2,176	1,670	$352	2,022	1,141	$353	1,494
Noncapital subsidies less Health system support and Changes in allocation for pension payable to University		20	20		326	326		218	218
Revenues supporting primary activities	**28,087**	**379**	**28,466**	**25,845**	**678**	**26,523**	**21,565**	**571**	**22,136**
Expenses									
Salaries, wages, benefits, supplies and other operating expenses	26,369		26,369	23,914		23,914	20,676		20,676
Noncapital subsidies Health system support and Interest expense		1,796	1,796		1,709	1,709		1,569	1,569
Expenses associated with primary activities	**26,369**	**1,796**	**28,165**	**23,914**	**1,709**	**25,623**	**20,676**	**1,569**	**22,245**
Income (loss) from primary activities	**1,718**	**(1,417)**	**301**	**1,931**	**(1,031)**	**900**	**889**	**(998)**	**(109)**
Other activities		377	377		(60)	(60)		(2)	(2)
Change in net position	**1,718**	**(1,040)**	**678**	**1,931**	**(1,091)**	**840**	**889**	**(1,000)**	**(111)**
Net position									
Beginning of year			(2,648)			(3,488)			(3,377)
End of year			**($1,970)**			**($2,648)**			**($3,488)**

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The Medical Centers reported operating income of $1.7 billion in 2026, compared with $1.9 billion in 2025 and $0.9 billion in 2024. The change in 2026 was primarily due to a 10.3 percent increase in operating expense including salaries and wages, employee benefits, medical supplies and professional services, compared to an 8.7 percent increase in operating revenue. The change in 2025 was primarily due to a 19.8 percent increase in operating revenue due to increased patient volumes, acuity and payor mix compared to a 15.7 percent increase in operating expenses.

Nonoperating activity decreased the Medical Centers' change in net position by $1.0 billion in 2026, compared with a reduction of $1.1 billion in 2025 and $1.0 billion in 2024. Nonoperating activity includes noncapital subsidies, interest expense, investment income, capital subsidies, gifts and grants, and other nonoperating revenues and expenses.

The Medical Centers' net position increased by $0.7 billion in 2026, compared with an increase of $0.8 billion in 2025 and a decrease of $111.0 million in 2024.

Table MDA.4 presents a summarized comparison of the operating results by Medical Center for 2026, 2025 and 2024 in a format that matches the revenue supporting the primary activities of the Medical Centers with the expenses associated with these primary activities.

Location-level discussion

The Medical Centers' operating performance varied by location, reflecting changes in patient activity, reimbursement, labor and supply costs and the expansion and organization of clinical services. The most significant changes on operating results at each location are detailed in this section.

At Davis, operating income decreased $78.7 million to $186.3 million in 2026, as operating expense growth of $164.1 million exceeded operating revenue growth of $85.3 million. During the year, the Community Practice Group transferred from the Medical Center to the School of Medicine, resulting in a shift of $51.7 million loss to the School of Medicine. Davis also expanded outpatient capacity through the opening of the 48X Surgery Complex in July 2025 and the Folsom Medical Care Clinic in September 2025. Revenue growth reflected higher outpatient volume and a shift in inpatient payor mix. Expenses increased due to salary rate increases, higher retiree health benefit costs, increased medical supplies associated with outpatient volume growth and inflation, and depreciation on the new facilities.

At Irvine, the operating loss increased by $239.9 million to $338.9 million in 2026. Operating expenses rose by $627.7 million, exceeding the $387.8 million increase in operating revenue. Revenue growth reflected higher outpatient volumes and inpatient admissions, including expanded capacity following the December 2025 opening of UCI Health — Irvine, a 144-bed

Table MDA.4: Operating results by Medical Center for the years ended June 30, 2026, 2025 and 2024 *(in millions of dollars)*

Location	Year	Operating revenues	Operating expenses	Operating income (loss)	Noncapital subsidies	Operating income (loss) and noncapital subsidies	Other nonoperating revenues (expenses), net	Increase (decrease) in net position
Davis	2026	$4,150	$3,963	$187	($152)	$35	($57)	($22)
	2025	4,064	3,799	265	(122)	143	(32)	111
	2024	3,743	3,785	(42)	(110)	(152)	(42)	(194)
Irvine	2026	3,965	4,304	(339)	(231)	(570)	(23)	(593)
	2025	3,577	3,676	(99)	(174)	(273)	(47)	(320)
	2024	2,440	2,517	(77)	(186)	(263)	(10)	(273)
Los Angeles	2026	5,483	4,683	800	(429)	371	146	517
	2025	5,023	4,240	783	(467)	316	79	395
	2024	4,198	3,707	491	(273)	218	90	308
San Diego	2026	4,686	4,207	479	(370)	109	(23)	86
	2025	4,272	3,823	449	(275)	174	(44)	130
	2024	3,669	3,525	144	(351)	(207)	(16)	(223)
San Francisco	2026	9,803	9,211	592	(49)	543	147	690
	2025	8,908	8,375	533	(69)	464	60	524
	2024	7,516	7,143	373	(154)	219	52	271
Total	**2026**	**$28,087**	**$26,368**	**$1,719**	**($1,231)**	**$488**	**$190**	**$678**
	2025	**25,844**	**23,913**	**1,931**	**(1,107)**	**824**	**16**	**840**
	2024	**21,566**	**20,677**	**889**	**(1,074)**	**(185)**	**74**	**(111)**

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acute care hospital. Expense growth reflected staffing for the new hospital; higher pension and retiree health benefit costs; increased supplies and purchased services associated with volume growth and inflation; and depreciation on the new Irvine Campus Medical Center complex. In March 2026, UCI Health announced an organizational restructuring to consolidate functions and align resources with community needs. Management is pursuing initiatives to strengthen revenue growth and improve operating performance across the system.

At Los Angeles, operating income increased $16.8 million to $799.7 million in 2026, as operating revenue growth of $459.8 million exceeded operating expense growth of $443.0 million. Revenue increased primarily due to continued clinical growth at UCLA West Valley Medical Center, contract and retail pharmacy activity and third-party payor settlements. Expenses increased due to higher labor and non-labor costs associated with increased patient volume, salary rate adjustments and overall operating activity.

At San Diego, operating income increased $30.3 million to $479.2 million in 2026, as operating revenues increased $414.3 million and operating expenses increased $384.0 million. The July 2025 opening of McGrath Outpatient Pavilion expanded outpatient capacity at Hillcrest and contributed $205 million in net revenue. East Campus Medical Center also continued to expand clinical services, contributing $32 million in net revenue as inpatient admissions and surgical activity increased. Expenses included additional staffing and medical supplies to support growth at McGrath, as well as $16.1 million of depreciation on the pavilion.

At San Francisco, operating income increased $58.4 million to $591.7 million in 2026, as operating revenues increased $894.7 million and operating expenses increased $836.2 million. Integration continued at the UCSF Health Community Hospitals, including implementation of a common electronic health record system and expanded clinical coverage. The operations of the UCSF Health Community Hospitals and Bayfront Medical Building are reflected in the financial statements for the full fiscal year in 2026 compared to 11 months in 2025 as both locations were acquired or opened in August 2024. Improvements in operating income were primarily driven by strong labor efficiency, reductions in average length of stay, increases in surgery volumes, and significant growth in outpatient pharmacy operations, including contract pharmacy, specialty pharmacy, and infusion services.

In 2025, operating results improved at Davis, Los Angeles, San Diego and San Francisco compared with 2024. Davis returned to operating income of $265.1 million from an operating loss of $41.5 million due to improvements in FTE efficiency, lower pension and retiree health benefit costs, patient volume growth, increase in pharmaceutical revenues and third-party settlements. Operating income increased $292.0 million at Los Angeles, $304.9 million at San Diego and $160.4 million at San Francisco primarily due to patient volume and specialty pharmacy growth, strong third-party settlements and lower pension and retiree health benefits expense. Irvine's operating loss increased $22.2 million to $(99.0) million mainly due to integration and a full year operating costs from the acquired UCI Health Community Hospitals.

All five Medical Centers were net providers of noncapital subsidies in 2026, 2025 and 2024. Net noncapital subsidies provided to the University totaled $1.2 billion in 2026, compared with $1.1 billion in both 2025 and 2024.These amounts primarily reflected health system support provided to campus schools of medicine and pension-related amounts payable to the University, partially offset by grants, private gifts and other transfers received. The $124.0 million increase in 2026 reflected higher net subsidies provided by San Diego, Irvine and Davis, partially offset by decreases at Los Angeles and San Francisco. Operating income after noncapital subsidies totaled $487.4 million in 2026, compared with $824.4 million in 2025 and a loss of ($185.2) million in 2024.

Other nonoperating activities increased combined results by $190.7 million in 2026, compared with $15.5 million in 2025 and $74.2 million in 2024. In each year, these activities reduced results at Davis, Irvine and San Diego and increased results at Los Angeles and San Francisco. These activities included investment income and changes in the fair value of investments, interest expense, other financing items and federal interest subsidies on Build America Bonds. The increase in nonoperating revenues in 2026 was primarily associated with a $64.1 million increase in net appreciation for investments driven by strong capital market performance and a $103.9 million increase in net contributions for capital assets associated with a ramp up in capital project activity.

Overall, net position increased $678.1 million in 2026, compared with an increase of $839.9 million in 2025 and a decrease of $111.0 million in 2024. The smaller increase in 2026 reflected lower operating income and higher net noncapital subsidies provided, partially offset by higher net other nonoperating revenues.

Other

The statement of cash flows (SCF) reports each of the Medical Center's cash receipts and payments over the fiscal year, demonstrating its ability to generate cash, meet obligations, and fund operations. The SCF is organized into four categories: operating, noncapital financing, capital and related financing and investing activities. It also includes a reconciliation of operating results to net cash provided by operating activities, as well as supplemental information on noncash activities.

The statement of net position (SNP), the statement of revenues, expenses and changes in net position (SRECNP) and SCF are the core financial statements that work together to provide a comprehensive view of each of the Medical Center's financial health. The SNP reports the medical center's assets, deferred outflows of resources, liabilities and deferred inflows of resources at fiscal year end. The SRECNP reports the operating revenues and expenses, noncapital subsidies, and nonoperating revenues and expenses of the medical centers over the fiscal year, with the net operating results combined into the prior year's ending net position to reconcile into the current year's ending net position. The SCF reflects cash movements in and out of the medical centers from cash inflows or receipts and cash outflows or payments. The SCF reconciles the changes in the medical centers' cash balance over the reporting period.

Detailed Analyses

The objective of this section is to help readers understand the year-over-year changes in the Medical Centers' net position and significant changes in revenues and expenses, with emphasis on the current year, 2026.

Net Patient Service Revenue and Patient Accounts Receivable

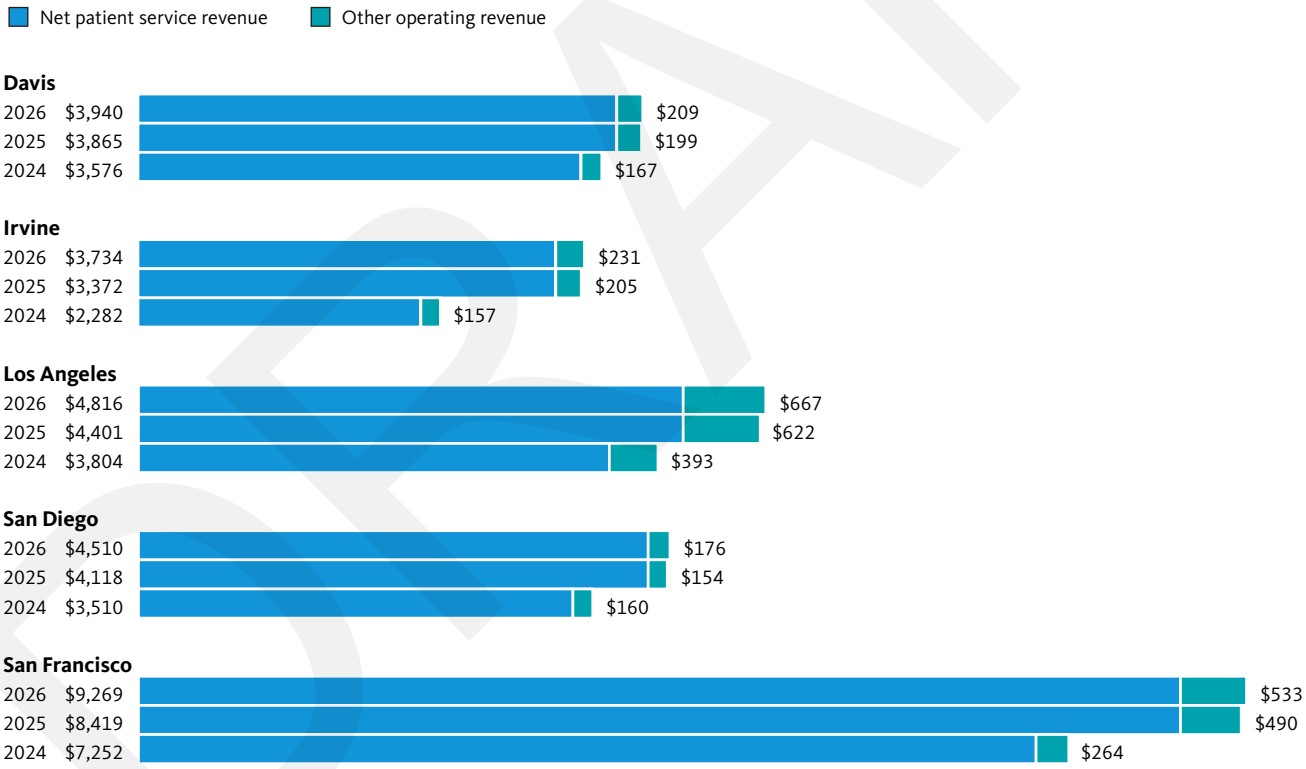
Net patient service revenue is the Medical Centers' primary revenue source and is affected by inpatient occupancy, outpatient visits, patient acuity, reimbursement rates and payor mix. Net patient service revenue is reported net of estimated contractual allowances, discounts and bad debt allowances. Patient accounts receivable are also reported net of estimated uncollectible amounts and is affected by patient volume, timing of collections and payor processing.

Display 1 presents net patient service revenue and other operating revenue for the Medical Centers.

Display 1: Net patient service revenue and other operating revenue *(in millions of dollars)*

Legend is presented in the same order as the bars in each cluster.

Table data for Display 1 is on page 120



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Tables MDA.5a and **MDA.5b** present net patient service revenue and patient accounts receivable changes and explanations for the Medical Centers in 2026 and 2025, respectively.

Table MDA.5a: Net patient service revenue and patient accounts receivable changes for the year ended and at June 30, 2026
(in millions of dollars and by percentage)

Location	Net patient service revenue change	Net patient service revenue change percentage	Patient accounts receivable change	Patient accounts receivable change percentage	2026 primary drivers
Davis	$75.4	2.0%	$39.4	5.6%	Increase in revenue is primarily attributable to higher patient volume, partially offset by lower revenue from third-party programs and capitation.
Irvine	362.1	10.7	24.3	4.1	Organic growth in outpatient volumes and higher inpatient admits with the opening of the new Irvine hospital in December 2025.
Los Angeles	415.0	9.4	29.4	4.5	Increase in revenue is primarily attributable to higher patient volume, contract and retail pharmacy growth and third-party payor settlements.
San Diego	392.2	9.5	77.4	14.2	Increase driven by the opening of the McGrath Outpatient Pavilion and growth at the East Campus facility.
San Francisco	850.8	10.1	170.7	11.9	Increase due to the acquisition of the UCSF Health Community Hospitals and opening of the Bayfront Medical Building in August 2024, organic growth in patient volumes, contract rate increases, and strong growth in pharmacy revenues.

Net patient service revenue increased in 2026 across all Medical Centers, primarily due to increases in outpatient and inpatient volumes, expansion through new hospitals and outpatient facilities, acquisitions, improved case mix, pharmacy growth and contract rate increases, partially offset by lower revenue from third-party programs and capitation.

Overall, patient accounts receivable increased in 2026 primarily due to higher patient volumes and patient service revenue growth, including the new UC Irvine hospital, along with timing-related payor payment impacts. Receivable growth was primarily tied to higher operating activity rather than a broad deterioration in collection experience.

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Table MDA.5b: Net patient service revenue and patient accounts receivable changes for the year ended and at June 30, 2025

(in mllions of dollars and by percentage)

Location	Net patient service revenue change	Net patient service revenue change percentage	Patient accounts receivable change	Patient accounts receivable change percentage	2025 primary drivers
Davis	$289.0	8.1%	$50.0	7.7%	Increased demand and higher patient volumes.
Irvine	1,089.8	47.8	173.9	41.1	Organic growth, a full year of activity from the UCI Health Community Hospitals acquisition, integration of acquired hospitals and timing of collections.
Los Angeles	596.6	15.7	52.7	8.7	Higher patient volumes, contract and retail pharmacy activity, third-party payor settlements, West Valley Medical Center activity and timing of payments from payors.
San Diego	608.4	17.3	14.0	2.6	Higher inpatient and outpatient volumes and a full year of activity from the hospital acquired in December 2023.
San Francisco	1,166.9	16.1	271.2	23.3	UCSF Health Community Hospitals acquisition, Bayfront Medical Building opening, patient volume growth, contract rate increases and pharmacy revenue growth and timing of payments from payors.

In 2025, net patient service revenue increased at each Medical Center. The largest increases were at San Francisco and Irvine, primarily due to acquisition-related activity, patient volume growth, contract rate increases and pharmacy revenue growth.

The increase in patient accounts receivable was generally consistent with higher patient activity, acquired hospital activity and timing of collections from payors. Revenue growth outpaced the increase in patient accounts receivable at most locations, indicating that receivable growth was primarily tied to higher operating activity rather than a broad deterioration in collection experience.

Investments

The Medical Centers invest in the University's Total Return Investment Pool (TRIP) and General Endowment Pool (GEP), while UCSF Medical Center also invests endowed gifts in the UCSF Foundation's Endowed Investment Pool (EIP). At June 30, 2026, investments and investments in joint ventures, excluding investments reported separately as restricted donor assets, totaled $1.1 billion, compared with $949.0 million in 2025 and $851.9 million in 2024. Net appreciation in the fair value of investments increased to $141.1 million in 2026 from $77.0 million in 2025, after declining from $83.2 million in 2024. Investment income remained relatively stable at $337.1 million, $329.3 million and $330.0 million in 2026, 2025 and 2024, respectively.

GEP returned 22.7 percent in 2026, compared with 12.2 percent in 2025 and 11.7 percent in 2024. EIP returned 21.5 percent, 9.2 percent and 7.4 percent over the same periods while TRIP returned 11.6 percent, 12.0 percent and 12.1 percent. EIP's stronger 2026 return reflected gains in public equities and private markets, including a recovery in biotechnology and growth investments. Investment appreciation does not necessarily represent cash available for current operating expenses.

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Pension

Substantially all full-time Medical Center employees participate in the University of California Retirement Plan (UCRP). The University has financial responsibility for pension benefits associated with its defined benefit plans. Each Medical Center's share of the UCRP net pension liability and pension expense is allocated based on its proportionate share of covered compensation for the fiscal year.

Table MDA.6 presents each Medical Center's proportionate share and net pension liability related to UCRP for 2026, 2025 and 2024.

Table MDA.6: UCRP proportionate share and net pension liability *(by percentage and in millions of dollars)*

Location	Proportionate share 2026	Net pension liability 2026	Proportionate share 2025	Net pension liability 2025	Proportionate share 2024	Net pension liability 2024
Davis	7.2%	$37.6	7.3%	$906.4	7.8%	$1,344.5
Irvine	6.3	32.9	5.7	713.0	5.3	923.3
Los Angeles	7.3	38.2	7.1	878.7	6.9	1,194.6
San Diego	5.9	30.7	5.8	721.9	5.9	1,024.0
San Francisco	12.8	66.9	12.4	1,538.8	10.4	1,800.4
Total	**39.5%**	**$206.3**	**38.3%**	**$4,758.8**	**36.3%**	**$6,286.8**

Changes in the net pension liability are primarily driven by UCRP investment performance, changes in actuarial assumptions and each Medical Center's proportionate share of covered compensation. UCRP's total investment return was 19.6 percent, 12.7 percent and 12.2 percent in 2026, 2025 and 2024, respectively. The discount rate used to estimate the net pension liability was 6.75 percent all three years.

Table MDA.7 presents each Medical Center's UCRP pension expense and employer contributions.

Table MDA.7: UCRP pension expense and employer contributions *(in millions of dollars)*

Location	Pension expense 2026	Pension contributions 2026	Pension expense 2025	Pension contributions 2025	Pension expense 2024	Pension contributions 2024
Davis	$135.3	$215.7	$137.9	$204.3	$291.9	$189.3
Irvine	216.5	189.1	174.2	160.7	257.6	96.0
Los Angeles	152.6	219.6	118.7	198.0	243.8	166.0
San Diego	132.8	176.5	116.7	162.7	221.8	137.3
San Francisco	321.6	382.1	296.2	311.9	355.2	253.5
Total	**$958.8**	**$1,183.0**	**$843.7**	**$1,037.6**	**$1,370.3**	**$842.1**

The Medical Centers contribute to UCRP at a rate set by the Regents. The University contribution rate for active members was 14.5 percent, 14.5 percent and 14.0 percent of covered payroll for the years ended June 30, 2026, 2025 and 2024, respectively. Pension expense fluctuates primarily based on the difference between expected and actual investment returns, actuarial assumptions and changes in each Medical Center's proportionate share of the net pension liability.

The Irvine Medical Center also reports a proportionate share of the net pension liability for the Orange County Employees Retirement System. Irvine's share was $7.3 million, $10.7 million and $13.3 million at June 30, 2026, 2025 and 2024, respectively.

San Francisco reports the pension asset or liability for the CHRCO Pension Plan. The plan was amended during 2025 to freeze benefit service as of July 5, 2025, and to freeze pay increases after 2030. The plan reported a net pension asset of $187.2 million at June 30, 2026, compared with a net pension asset of $174.9 million at June 30, 2025, and a net pension liability of $47 thousand at June 30, 2024.

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Retiree Health Benefits

Substantially all full-time Medical Center employees are eligible to participate in the University's retiree health benefit plans if they meet age and service requirements. The University administers single-employer health and welfare plans that provide primarily medical, dental and vision benefits to eligible retirees and their eligible family members through the University of California Retiree Health Benefit Trust (UCRHBT). The University has financial responsibility for retiree health benefits associated with UCRHBT and funds benefits on a pay-as-you-go basis.

The net retiree health benefits liability is allocated to each Medical Center based on its proportionate share of covered compensation for the fiscal year.

Table MDA.8 presents each Medical Center's proportionate share and net retiree health benefits liability.

Table MDA.8: Proportionate share and net retiree health benefits liability *(by percentage and in millions of dollars)*

Location	Proportionate share 2026	Net retiree health benefits liability 2026	Proportionate share 2025	Net retiree health benefits liability 2025	Proportionate share 2024	Net retiree health benefits liability 2024
Davis	7.1%	$1,619.4	6.9%	$1,326.9	7.4%	$1,495.3
Irvine	6.0	1,365.0	5.4	1,049.0	5.2	1,051.0
Los Angeles	7.1	1,606.0	6.7	1,284.0	6.6	1,344.0
San Diego	5.6	1,279.0	5.5	1,054.9	5.6	1,139.9
San Francisco	12.3	2,784.2	12.1	2,329.7	9.9	2,018.4
Total	**38.1%**	**$8,653.6**	**36.6%**	**$7,044.5**	**34.7%**	**$7,048.6**

Changes in the net retiree health benefits liability were primarily driven by changes in the discount rate, health care cost trend rates and actual health care premium experience. In 2026, the change was primarily due to changes in the discount rate and health care cost trend rate. In 2025, the change was primarily due to an actuarial loss from higher-than-projected health care premium rates. The discount rates used to estimate the net retiree health benefits liability at June 30, 2026, 2025 and 2024 were 4.67 percent, 5.20 percent and 3.93 percent, respectively. The discount rate was based on the Bond Buyer 20-Bond General Obligation Index because UCRHBT plan assets are not sufficient to make projected benefit payments.

Table MDA.9 presents each Medical Center's retiree health benefits expense and employer contributions.

Table MDA.9: Retiree health benefits expense and employer contributions *(in millions of dollars)*

Location	Retiree health benefits expense 2026	Retiree health benefits contributions 2026	Retiree health benefits expense 2025	Retiree health benefits contributions 2025	Retiree health benefits expense 2024	Retiree health benefits contributions 2024
Davis	$89.6	$34.9	$27.0	$32.4	$84.8	$31.2
Irvine	150.8	29.4	81.9	25.6	102.9	15.8
Los Angeles	63.9	34.6	1.2	31.3	37.7	27.2
San Diego	87.9	27.6	48.7	25.8	86.8	22.5
San Francisco	207.3	59.8	125.5	50.2	120.3	42.1
Total	**$599.5**	**$186.3**	**$284.3**	**$165.3**	**$432.5**	**$138.8**

Retiree health benefits expense is allocated to each Medical Center based on its proportionate share of covered compensation for the fiscal year. The Medical Centers contribute at rates assessed annually by the University. Retiree health benefits expense fluctuated in 2026, 2025 and 2024 primarily due to changes in the discount rate.

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Expenses

Salaries and wages and other employee benefits

Salaries and wages and other employee benefits expense include wages paid to employees, vacation, holiday and sick pay, payroll taxes, workers' compensation insurance premiums, health insurance and other employee benefits.

Table MDA.10a presents each Medical Center's salaries and wages and other employee benefits expense in 2026, 2025, and 2024, respectively.

Table MDA.10a: Salaries and wages expense and other employee benefits expense *(in millions of dollars)*

Description	Year	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Salaries and wages	2026	$1,748	$1,702	$1,886	$1,555	$3,270	$10,161
	2025	1,679	1,469	1,756	1,483	3,123	9,510
	2024	1,640	920	1,547	1,278	2,564	7,949
Other employee benefits	2026	384	410	376	368	620	2,158
	2025	386	330	365	346	683	2,110
	2024	376	205	290	298	530	1,699

Tables MDA.10b and **MDA.10c** present each Medical Center's changes in salaries and wages, FTEs and wage rates in 2026 and 2025, respectively.

Table MDA.10b: Changes in salaries and wages, FTEs, salaries and wages rates and other employee benefits in 2026
(in millions of dollars and by percentage)

Location	Change in salaries and wages expense	Change in salaries and wages expense percentage	Change in full-time equivalents	Change in full-time equivalents percentage	Change in wage rates	Change in wage rates percentage	Change in other employee benefits	Change in other employee benefits expense percentage
Davis	$68.5	4.1%	(223)	(1.9%)	$99.7	6.1%	($2.0)	(0.5%)
Irvine	233.3	15.9	1,163	10.4	81.0	5.0	79.6	24.1
Los Angeles	130.5	7.4	261	2.2	92.6	5.2	11.1	3.0
San Diego	71.4	4.8	(133)	(1.2)	89.0	6.1	22.4	6.5
San Francisco	147.0	4.7	10	0.1	145.2	4.6	(63.1)	(9.2)
Total	**$650.7**	**6.8%**	**1,078**		**$507.5**		**$48.0**	**2.3%**

In 2026, salaries and wages increased by 6.8 percent, primarily due to higher wage rates and increased staffing for the new Irvine hospital and expanded services at Los Angeles. Staffing declined at Davis following the transfer of the Community Practice Group to the School of Medicine.

Other employee benefits expense increased by 2.3 percent, primarily comprised of FTE changes by location. Higher employer payroll taxes, group health and life insurance rates, and workers' compensation accruals also contributed to costs across the Medical Centers.

Table MDA.10c: Changes in salaries and wages, FTEs, salaries and wages rates and other employee benefits in 2025
(in millions of dollars and by percentage)

Location	Change in salaries and wages expense	Change in salaries and wages expense percentage	Change in full-time equivalents	Change in full-time equivalents percentage	Change in wage rates	Change in wage rates percentage	Change in other employee benefits	Change in other employee benefits expense percentage
Davis	$39.4	2.4%	(61)	(0.5%)	$47.7	2.9%	$9.6	2.5%
Irvine	548.6	59.6	1,272	12.8	381.9	41.5	125.6	61.4
Los Angeles	208.9	13.5	934	8.4	73.0	4.7	75.1	25.9
San Diego	205.5	16.1	923	9.0	91.0	6.5	47.8	16.0
San Francisco	559.6	21.8	2,573	16.6	134.3	5.2	153.2	28.9
Total	**$1,562.0**	**19.7%**	**5,641**		**$727.9**		**$411.3**	**24.2%**

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In 2025, salaries and wages increased by 19.7 percent, primarily comprised of FTE changes due to acquisitions and wage rate increases. Other benefits expense increased by 24.2 percent, primarily comprised of FTE changes, increased employer payroll tax expense and increased rates for group health insurance, life insurance and worker's compensation insurance accruals.

Table MDA.11 presents three years of selected operating expense information by Medical Center.

Table MDA.11: Selected operating expenses by Medical Center for the year ended June 30 *(in millions of dollars)*

Location	Year	Professional services	Medical supplies	Other supplies and purchased services	Total selected operating expenses
Davis	2026	$110	$980	$226	$1,316
	2025	159	876	257	1,292
	2024	163	709	261	1,133
Irvine	2026	47	865	565	1,477
	2025	23	743	553	1,319
	2024	29	513	290	832
Los Angeles	2026	47	1,079	739	1,865
	2025	48	915	720	1,683
	2024	46	738	562	1,346
San Diego	2026	122	1,302	342	1,766
	2025	117	1,118	328	1,563
	2024	106	984	310	1,400
San Francisco	2026	1,717	1,923	695	4,335
	2025	1,575	1,601	674	3,850
	2024	1,339	1,278	545	3,162
Total	**2026**	**$2,043**	**$6,149**	**$2,567**	**$10,759**
	2025	**1,922**	**5,253**	**2,532**	**9,707**
	2024	**1,683**	**4,222**	**1,968**	**7,873**

Medical supplies expense fluctuates with patient volume and case mix and is subject to inflationary pressures affecting pharmaceuticals, surgical and diagnostic supplies, implants, prosthetics and other patient care materials. Professional services primarily include physician services provided by the Schools of Medicine, outside clinical services and payments to other healthcare providers. Other supplies and purchased services include non-medical supplies, purchased medical services and repairs and maintenance.

These selected expenses totaled $10.8 billion in 2026, compared with $9.7 billion in 2025 and $7.9 billion in 2024. Medical supplies accounted for $897.0 million of the 2026 increase reflecting higher pharmaceutical and supply costs associated with pharmacy, infusion and surgical activity, higher patient volumes and acuity and expanded services.

In 2025, medical supplies increased $1.0 billion and other supplies and purchased services increased $563.6 million. Growth reflected higher pharmacy and surgical activity, rising pharmaceutical costs, and a full year of activity from recent hospital acquisitions and facility expansions.

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Noncapital Subsidies

Table MDA.12 presents noncapital subsidies which include direct government grants, private gifts, clinical teaching support, transfers from (to) University, changes in allocation for pension payable to University, and health system support in 2026, 2025 and 2024, and hospital fee program grants in 2025 and 2024.

Table MDA.12: Noncapital subsidies *(in millions of dollars)*

Description	Year	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Direct government grants	2026					$32	$32
	2025	$3		$10	$5	188	206
	2024	1	$10	38	3	12	64
Hospital fee program grants [1]	2025	6	3	5	4	6	24
	2024	17	9	14	14	19	73
Private gifts, net	2026					31	31
	2025					30	30
	2024					27	27
Clinical teaching support	2026		8	13			21
	2025		8	13			21
	2024		8	13			21
Transfers from (to) University, net	2026	(22)	(41)	12	(12)		(63)
	2025	(38)	82	12	(11)		45
	2024	(38)	72	12	(13)		33
Changes in allocation for pension payable to University	2026	45	(11)	20	26	35	115
	2025	35	(27)	(11)	9	(147)	(141)
	2024	7	(132)	11	(25)	49	(90)
Health system support	2026	(175)	(187)	(474)	(383)	(147)	(1,366)
	2025	(128)	(241)	(496)	(282)	(146)	(1,293)
	2024	(97)	(153)	(362)	(330)	(261)	(1,203)
Total noncapital subsidies	**2026**	**($152)**	**($231)**	**($429)**	**($369)**	**($49)**	**($1,230)**
	2025	**(122)**	**(175)**	**(467)**	**(275)**	**(69)**	**(1,108)**
	2024	**(110)**	**(186)**	**(274)**	**(351)**	**(154)**	**(1,075)**

Note:

[1] *The Medical Centers did not receive hospital fee program grants in 2026.*

Health system support

Health system support consists of noncapital transfers from the Medical Centers to the University for clinical programs, faculty practice plans, physician recruitment, education and research. Health system support totaled $1.4 billion in 2026, compared with $1.3 billion in 2025 and $1.2 billion in 2024.

Health system support increased $73.2 million, or 5.7 percent, in 2026. San Diego's increase was $101.5 million reflecting a lower 2025 base when additional supplemental revenue reduced the funding needed by its physician group. At Davis the increase was $47.0 million as transfers to the School of Medicine rose following the transfer of the Community Practice Group clinics. These increases were partly offset by decreases of $53.8 million at Irvine and $22.0 million at Los Angeles. In 2025, health system support increased by approximately $90.1 million, or 7.5 percent, from 2024, reflecting greater investment in clinical programs, mission-based activities and other School of Medicine strategic priorities at Los Angeles and School of Medicine initiatives at Irvine, partly offset by decreases at San Francisco and San Diego. The decreases at San Francisco and San Diego primarily reflected changes in shared investment income and lower clinical support for affiliated medical school departments respectively.

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Significant Capital Asset and Long-Term Financing Activity

Capital Assets, Net

The Medical Centers' enhancement and expansion of health care services and the ongoing need for renewal, modernization and seismic upgrades of existing facilities are the primary drivers of capital investments. Capital spending continued at a brisk pace to support patient care and includes constructing and renovating Medical Center facilities.

Tables MDA.13a and **MDA.13b** present a summary of capital asset activity in 2026 and 2025, respectively.

Table MDA.13a: Summary of capital asset activity for the year ended June 30 in 2026 *(in millions of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Additions/transfers to capital assets						
Depreciable assets (buildings and improvements, equipment and software)	$914	$1,100	$119	$70	$238	$2,441
Non-depreciable assets (land, construction in progress)	(109)	(869)	142	41	505	(290)
Right-to-use assets (lease, subscription)	28	209	56	71	75	439
Total additions/transfers to capital assets	**833**	**440**	**317**	**182**	**818**	**2,590**
Reductions to capital assets, net: Disposals						
Depreciable assets (buildings and improvements, equipment and software)	(20)	(2)		(2)	3	(21)
Non-depreciable assets (land, construction in progress)	(3)				(2)	(5)
Right-to-use assets (lease, subscription)	(29)	(9)	(1)	(1)		(40)
Total reductions to capital assets, net: Disposals	**(52)**	**(11)**	**(1)**	**(3)**	**1**	**(66)**
Reductions to capital assets, net: Depreciation and amortization						
Depreciable assets (buildings and improvements, equipment and software)	(135)	(151)	(148)	(113)	(207)	(754)
Right-to-use assets (lease, subscription)	(55)	(56)	(43)	(41)	(39)	(234)
Total reductions to capital assets, net: Depreciation and amortization	**(190)**	**(207)**	**(191)**	**(154)**	**(246)**	**(988)**
Net increase in capital assets, net	**$591**	**$222**	**$125**	**$25**	**$573**	**$1,536**

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Table MDA.13b: Summary of capital asset activity for the year ended June 30 in 2025 *(in millions of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Additions/transfers to capital assets						
Depreciable assets (buildings and improvements, equipment and software)	$226	$158	$145	$389	$612	$1,530
Non-depreciable assets (land, construction in progress)	451	152	244	(254)	193	786
Right-to-use assets (lease, subscription)	145	39	44	44	46	318
Total additions/transfers to capital assets	**822**	**349**	**433**	**179**	**851**	**2,634**
Reductions to capital assets, net: Disposals						
Depreciable assets (buildings and improvements, equipment and software)	(4)		(2)	(26)	(6)	(38)
Non-depreciable assets (land, construction in progress)	(3)					(3)
Right-to-use assets (lease, subscription)	(31)	1		(1)	3	(28)
Total reductions to capital assets, net: Disposals	**(38)**	**1**	**(2)**	**(27)**	**(3)**	**(69)**
Reductions to capital assets, net: Depreciation and amortization						
Depreciable assets (buildings and improvements, equipment and software)	(110)	(129)	(141)	(94)	(195)	(669)
Right-to-use assets (lease, subscription)	(55)	(42)	(38)	(37)	(39)	(211)
Total reductions to capital assets, net: Depreciation and amortization	**(165)**	**(171)**	**(179)**	**(131)**	**(234)**	**(880)**
Net increase in capital assets, net	**$619**	**$179**	**$252**	**$21**	**$614**	**$1,685**

In 2026, net capital assets increased by $1.5 billion, primarily driven by major construction projects and other capital additions. The increase included $591.3 million at Davis for the 48X Surgery Complex, Folsom Medical Care Clinic, UCDH Parking Structure 7 and hospital seismic upgrades; $222.5 million at Irvine with the completion of the new Irvine hospital in December 2025, related equipment and capital additions; $124.8 million at Los Angeles for the neuropsychiatric replacement hospital; $24.5 million at San Diego for the first phase of the Hillcrest redevelopment and the Hillcrest Replacement Hospital; $572.6 million at San Francisco primarily due to new hospital construction projects, including the Helen Diller Hospital and UCSF Benioff Children's Hospital Oakland modernization project, along with capital expenditures for the UCSF Health Community hospitals.

In 2025 net capital assets increased by $1.7 billion, primarily comprised of major ongoing construction projects. The increase included $618.6 million at Davis for the California Tower, 48X Surgery Complex, Folsom Medical Care Clinic, UCDH Parking Structure 7 and hospital seismic upgrades; $179.4 million for Irvine for the continued construction of the Irvine Campus Medical Center complex and other capital additions; $252.2 million at Los Angeles for the acquisition of medical office buildings, construction of the neuropsychiatric hospital and new long-term leases; $21.3 million at San Diego for the outpatient pavilion at the Hillcrest campus and $613.9 million at San Francisco for construction projects including the Helen Diller Hospital and the acquisition of the UCSF Health Community Hospitals.

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Debt and Interest Expense

The Medical Centers finance capital assets with state support, gifts, revenue bonds, bank loans and leases. Outstanding debt increased by $1.2 billion in both 2026 and 2025.

Tables MDA.14a and **14b** present a summary of total debt activity in 2026 and 2025, respectively.

Table MDA.14a: Summary of debt activity at June 30 in 2026 *(in millions of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Additions/transfers to outstanding debt						
Revenue bonds	$127	$226	$203	$245	$878	$1,679
Financing obligations, leases and SBITAs	33	201	53	71	25	383
Other borrowings	114	256		31	275	676
Bond premium, net	18	23	30	40	144	255
Total additions/transfers to outstanding debt	**292**	**706**	**286**	**387**	**1,322**	**2,993**
Reductions from outstanding debt						
Refinancing and prepayments	(163)	(264)	(253)	(289)	(484)	(1,453)
Scheduled principal payments	(77)	(58)	(57)	(76)	(53)	(321)
Amortization of bond premium	(7)	(16)	(6)	(7)	(3)	(39)
Total reductions from outstanding debt	**(247)**	**(338)**	**(316)**	**(372)**	**(540)**	**(1,813)**
Net change in outstanding debt	**$45**	**$368**	**($30)**	**$15**	**$782**	**$1,180**

Table MDA.14b: Summary of debt activity at June 30 in 2025 *(in millions of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Additions/transfers to outstanding debt						
Revenue bonds	$798	$836				$1,634
Financing obligations, leases and SBITAs	155	43	$44	$99	$44	385
Other borrowings	46	63		35		144
Bond premium, net	77	48				125
Total additions/transfers to outstanding debt	**1,076**	**990**	**44**	**134**	**44**	**2,288**
Reductions from outstanding debt						
Refinancing and prepayments		(755)		(1)		(756)
Scheduled principal payments	(66)	(43)	(56)	(63)	(53)	(281)
Payments on other borrowings	(2)					(2)
Amortization of bond premium	(5)	(10)	(6)	(7)	(2)	(30)
Total reductions from outstanding debt	**(73)**	**(808)**	**(62)**	**(71)**	**(55)**	**(1,069)**
Net change in outstanding debt	**$1,003**	**$182**	**($18)**	**$63**	**($11)**	**$1,219**

In 2026, the University issued $986.0 million of general revenue bonds to refinance debt associated with medical center facilities and $692.6 million to finance facility acquisition and construction at UC San Francisco Medical Center. These fixed-rate, tax-exempt bonds have stated weighted average interest rates of 5.1 percent and 5.3 percent, with final maturities in 2047 and 2043, respectively.

In March 2025, the University issued $885.7 million of general revenue bonds for facility acquisition and construction at UC Davis and UC Irvine Medical Centers. In August 2024, the University issued $748.7 million of general revenue bonds for facility acquisition and construction at UC Irvine Medical Center. The variable rate bonds have a stated weighted average rate of 2.2 percent and the fixed-rate tax-exempt bonds have a stated weighted average interest rate of 4.0 percent to 5.25 percent. Remaining final maturities of the 2025 issuances range from 2029 to 2055.

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The University has an internal working capital program that allows each Medical Center to receive internal advances. Advances may not exceed 60 percent of a Medical Center's accounts receivable for any working capital needs. Repayment of advances made to the Medical Centers under the working capital program is not collateralized by a pledge of revenues.

As of June 30, 2026, the University has available a $4.0 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 University's general revenue bond ratings are currently rated at Aa2, AA and AA by Moody's Investors Service, Standard & Poor's and Fitch, respectively, all with stable outlooks. The University's Medical Center Pooled Revenue Bonds are currently rated at Aa3, AA- and AA- by Moody's Investors Service, Standard & Poor's and Fitch, respectively, all with stable outlooks.

Interest expense remained consistent at $0.4 billion from 2024 to 2026. Debt balances and interest expense do not necessarily move in direct proportion because debt is measured at year-end, while interest expense reflects borrowing costs throughout the year. Interest expense is also affected by the timing, rate structure and purpose of borrowings.

Currently Known Facts, Decisions or Conditions

In July 2026, the Regents, on behalf of UC San Diego Health, and Palomar Health District (District) finalized an agreement completing the formation of a joint powers authority operating as Palomar UC San Diego Health. The partnership is intended to stabilize and enhance patient care in North San Diego County. Following an initial contribution of assets, the District expects to transfer its remaining assets to the joint powers authority near the end of calendar year 2026, subject to meeting applicable requirements. UC San Diego Health has provided working capital support and committed additional funding to the partnership over the next five years to advance agreed-upon initiatives.

The University's Medical Centers, which are self-funding and without support from the state's general fund, continue to operate in a challenging environment marked by strong competition, persistent labor shortages, rising wages and benefit costs, higher prices for drugs, supplies and contracted services, and ongoing investments needed to maintain aging facilities, conduct seismic retrofitting, update technology and meet compliance requirements. As California public hospitals and academic Medical Centers face tighter Medi-Cal reimbursement, growth in uncompensated and underinsured care, increased emergency and behavioral health demand, and greater pressure to recruit and retain clinical staff, operating margins may remain under strain. In addition to the added costs and responsibilities related to their function as academic institutions, the Medical Centers could face additional headwinds from changes in federal or state health policy, disruptions in supply chains, inflation, cybersecurity or other unexpected events and the potential for delays in capital projects or reimbursement. These pressures could limit the pace at which the Medical Centers can expand programs, invest in infrastructure and support patient care, support the academic and research missions of the University and may create pressure on operating results for the Medical Centers.

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Report of Independent Auditors



Independent Auditors' Report

To the Regents of the University of California

Opinions

We have audited the financial statements of the University of California, Davis Medical Center; the University of California, Irvine Medical Center; the University of California, Los Angeles Medical Center; the University of California, San Diego Medical Center; and the University of California, San Francisco Medical Center (hereafter collectively referred to as the "University of California Medical Centers"), each of which is a department of the University of California (the "University"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the University of California Medical Centers' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each of the University of California Medical Centers, as of June 30, 2026, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 each of the University of California Medical Centers 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.

Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements of the University of California Medical Centers are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the University of California that is attributable to the transactions of the University of California Medical Centers. They do not purport to, and do not, present fairly the financial position of the University of California, as of June 30, 2026, the changes in its financial position, or its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in 2026, each of the University of California Medical Centers adopted Governmental Accounting Standards Board (GASB) Statement No. 103, Financial Reporting Model Improvements. Our opinions are not modified with respect to this matter.

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KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Other Matters

The financial statements of each of the University of California Medical Centers as of and for the year ended June 30, 2025 were audited, before the restatements described in Note 1, by other auditors, who expressed unmodified opinions on those financial statements on November 21, 2025.

As part of our audit of the 2026 financial statements, we also audited the adjustments described in Note 1 that were applied to reclassify revenues and expenses in the 2025 financial statements associated with the adoption of GASB Statement No. 103. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply procedures to the 2025 financial statements of the University of California Medical Centers other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2025 financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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.

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 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 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 each of the University of California Medical Centers' 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.

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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 Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the required supplementary information referenced in the table of contents 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 supplementary information in accordance with GAAS, 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.

Supplementary Information

Our audit was conducted for purpose of forming opinions on the basic financial statements as a whole. The supplementary information included in the At a Glance: UC's Academic Medical Centers, the Facts in Brief, and the Facts by Location is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or any form of assurance thereon.

[(signed) KPMG LLP]

San Francisco, California
November 20, 2026

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Financial Statements

University of California Medical Centers: Statements of Net Position

At June 30, 2026 (in thousands of dollars)

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total *(memorandum only)*
Assets						
Cash and cash equivalents	$490,001	$310,663	$2,335,066	$619,441	$3,491,996	$7,247,167
Short-term investments	500		396,344			396,844
Net patient accounts receivable	737,946	620,873	687,517	622,049	1,607,783	4,276,168
Other receivables	36,898	22,451	64,628	32,814	113,203	269,994
Third-party payor settlements, net	104,346	261,383	11,603	143,213	304,979	825,524
Inventories	93,506	67,895	90,393	84,044	117,874	453,712
Prepaid expenses and other assets	33,944	74,157	95,292	40,861	186,297	430,551
Current assets	**1,497,141**	**1,357,422**	**3,680,843**	**1,542,422**	**5,822,132**	**13,899,960**
Restricted assets: Deposits held for hospital construction	153,744	1,249	220,571	18,973	498,651	893,188
Restricted assets: Donor funds			12,530		149,102	161,632
Capital assets, net	4,106,523	2,800,636	2,478,094	1,950,346	5,026,834	16,362,433
Investments in joint ventures	40,694	1,561	24,304	47,972	73,769	188,300
Investments		11,264	170,604	2,044	337,189	521,101
Net pension asset					187,247	187,247
Other assets	117,865	15,651	343,663	148,620	43,615	669,414
Noncurrent assets	**4,418,826**	**2,830,361**	**3,249,766**	**2,167,955**	**6,316,407**	**18,983,315**
Total assets	**5,915,967**	**4,187,783**	**6,930,609**	**3,710,377**	**12,138,539**	**32,883,275**
Deferred outflows of resources	**555,502**	**1,483,117**	**684,687**	**527,185**	**1,581,459**	**4,831,950**
Liabilities						
Accounts payable and accrued expenses	388,672	214,539	466,707	306,748	689,485	2,066,151
Accrued salaries and benefits	154,881	269,682	401,282	235,433	663,393	1,724,671
Third-party payor settlements, net	131,631	392,436	34,558	110,262	703,906	1,372,793
Current portion of long-term debt	238,553	296,447	59,688	74,703	70,133	739,524
Other current liabilities	170,709	69,064	48,018	1,228	91,639	380,658
Current liabilities	**1,084,446**	**1,242,168**	**1,010,253**	**728,374**	**2,218,556**	**6,283,797**
Long-term debt, net of current portion	2,592,838	2,436,477	1,860,560	1,394,987	3,332,326	11,617,188
Net pension liability	37,557	40,258	38,233	30,735	66,886	213,669
Net retiree health benefits liability	1,619,421	1,364,989	1,606,029	1,278,968	2,784,223	8,653,630
Notes payable to campus		68,000		84,633		152,633
Pension payable to University	530,083	464,686	539,621	433,788	944,022	2,912,200
Interest rate swap agreements			11,734		627	12,361
Self-insurance					15,685	15,685
Other noncurrent liabilities	75,236	29,840	20,224	74,730	80,686	280,716
Noncurrent liabilities	**4,855,135**	**4,404,250**	**4,076,401**	**3,297,841**	**7,224,455**	**23,858,082**
Total liabilities	**5,939,581**	**5,646,418**	**5,086,654**	**4,026,215**	**9,443,011**	**30,141,879**
Deferred inflows of resources	**1,793,333**	**1,433,834**	**1,727,814**	**1,390,025**	**3,198,093**	**9,543,099**
Net position						
Net investment in capital assets	1,222,482	697,895	1,175,541	567,509	2,123,026	5,786,453
Restricted: Nonexpendable endowments and gifts			769		38,323	39,092
Restricted: Expendable		33	11,760	30	108,011	119,834
Unrestricted	(2,483,927)	(2,107,280)	(387,242)	(1,746,217)	(1,190,466)	(7,915,132)
Total net position	**($1,261,445)**	**($1,409,352)**	**$800,828**	**($1,178,678)**	**$1,078,894**	**($1,969,753)**

See accompanying notes to financial statements.

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University of California Medical Centers: Statements of Net Position

At June 30, 2025 (in thousands of dollars)

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total *(memorandum only)*
Assets						
Cash and cash equivalents	$549,586	$380,054	$2,134,849	$521,570	$2,956,609	$6,542,668
Short-term investments	500		360,443			360,943
Net patient accounts receivable	698,559	596,550	658,083	544,657	1,437,087	3,934,936
Other receivables	54,990	15,612	79,035	42,329	178,957	370,923
Third-party payor settlements, net	107,399	143,185	46,902	196,775	228,243	722,504
Inventories	79,439	63,330	83,059	74,272	96,588	396,688
Prepaid expenses and other assets	47,142	65,018	86,809	36,590	150,808	386,367
Current assets	**1,537,615**	**1,263,749**	**3,449,180**	**1,416,193**	**5,048,292**	**12,715,029**
Restricted assets: Deposits held for hospital construction	619,540	29,521	210,814	37,453	194,826	1,092,154
Restricted assets: Donor funds			11,825		117,462	129,287
Capital assets, net	3,515,182	2,578,131	2,353,312	1,925,881	4,454,240	14,826,746
Investments in joint ventures	34,424	2,120	19,862	32,995	78,817	168,218
Investments		19,615	120,515	2,044	277,675	419,849
Other assets	91,892	14,871	344,227	58,440	226,288	735,718
Noncurrent assets	**4,261,038**	**2,644,258**	**3,060,555**	**2,056,813**	**5,349,308**	**17,371,972**
Total assets	**5,798,653**	**3,908,007**	**6,509,735**	**3,473,006**	**10,397,600**	**30,087,001**
Deferred outflows of resources	**475,306**	**1,378,644**	**500,463**	**456,927**	**1,509,553**	**4,320,893**
Liabilities						
Accounts payable and accrued expenses	275,963	244,360	423,332	226,177	592,426	1,762,258
Accrued salaries and benefits	135,450	216,656	358,017	206,212	592,234	1,508,569
Third-party payor settlements, net	104,063	218,668	98,078	71,380	646,133	1,138,322
Current portion of long-term debt	125,548	270,020	53,538	271,707	53,842	774,655
Other current liabilities	173,489	14,526	81,817	1,000	76,092	346,924
Current liabilities	**814,513**	**964,230**	**1,014,782**	**776,476**	**1,960,727**	**5,530,728**
Long-term debt, net of current portion	2,661,095	2,094,335	1,897,209	1,182,568	2,566,819	10,402,026
Net pension liability	906,354	723,741	878,703	721,891	1,538,771	4,769,460
Net retiree health benefits liability	1,326,900	1,048,980	1,284,010	1,054,942	2,329,719	7,044,551
Notes payable to campus				86,740		86,740
Pension payable to University	574,693	452,112	557,160	457,730	975,690	3,017,385
Interest rate swap agreements			16,263		1,217	17,480
Self-insurance					19,855	19,855
Other noncurrent liabilities	71,848	27,281	21,763	57,497	84,219	262,608
Noncurrent liabilities	**5,540,890**	**4,346,449**	**4,655,108**	**3,561,368**	**7,516,290**	**25,620,105**
Total liabilities	**6,355,403**	**5,310,679**	**5,669,890**	**4,337,844**	**9,477,017**	**31,150,833**
Deferred inflows of resources	**1,157,109**	**792,920**	**1,056,133**	**857,469**	**2,041,264**	**5,904,895**
Net position						
Net investment in capital assets	1,124,229	662,780	1,010,507	579,994	2,028,405	5,405,915
Restricted: Nonexpendable endowments and gifts			694		35,460	36,154
Restricted: Expendable		33	11,129	19	103,682	114,863
Unrestricted	(2,362,782)	(1,479,761)	(738,155)	(1,845,393)	(1,778,675)	(8,204,766)
Total net position	**($1,238,553)**	**($816,948)**	**$284,175**	**($1,265,380)**	**$388,872**	**($2,647,834)**

See accompanying notes to financial statements.

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University of California Medical Centers: Statements of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2026 (in thousands of dollars)

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total *(memorandum only)*
Operating revenues						
Net patient service revenue	$3,940,494	$3,734,271	$4,815,891	$4,510,113	$9,269,494	$26,270,263
Other operating revenue	209,328	230,971	666,766	176,284	533,432	1,816,781
Total operating revenues	**4,149,822**	**3,965,242**	**5,482,657**	**4,686,397**	**9,802,926**	**28,087,044**
Operating expenses						
Salaries and wages	1,747,793	1,701,865	1,886,378	1,554,637	3,270,395	10,161,068
Pension benefits	144,670	216,831	186,848	132,831	330,822	1,012,002
Retiree health benefits	89,557	150,838	63,880	87,904	207,301	599,480
Other employee benefits	383,581	409,752	375,706	368,464	619,707	2,157,210
Professional services	110,105	46,512	47,168	122,034	1,716,765	2,042,584
Medical supplies	980,078	865,153	1,079,338	1,301,975	1,922,561	6,149,105
Other supplies and purchased services	226,470	565,301	738,570	341,952	695,452	2,567,745
Depreciation and amortization	189,503	223,628	199,822	154,075	246,165	1,013,193
Insurance and other	91,736	124,263	105,227	143,322	202,084	666,632
Total operating expenses	**3,963,493**	**4,304,143**	**4,682,937**	**4,207,194**	**9,211,252**	**26,369,019**
Income (loss) from operations	**186,329**	**(338,901)**	**799,720**	**479,203**	**591,674**	**1,718,025**
Noncapital subsidies						
Direct government grants					31,907	31,907
Private gifts, net					30,555	30,555
Clinical teaching support		7,882	13,467			21,349
Transfers from (to) University, net	(21,809)	(41,102)	11,570	(12,103)		(63,444)
Changes in allocation for pension payable to University	44,610	(10,743)	19,666	25,651	35,368	114,552
Health system support	(174,710)	(186,779)	(473,818)	(383,310)	(146,904)	(1,365,521)
Total noncapital subsidies	**(151,909)**	**(230,742)**	**(429,115)**	**(369,762)**	**(49,074)**	**(1,230,602)**
Income (loss) from operations and noncapital subsidies	**34,420**	**(569,643)**	**370,605**	**109,441**	**542,600**	**487,423**
Other nonoperating revenues (expenses)						
Build America Bonds federal interest subsidies		3,258	2,729	2,247	13,340	21,574
Donated assets		231	23,494	7,371		31,096
Contributions (distributions) for capital assets		45,616	1,005	(2,748)	47,615	91,488
Investment income	45,862	15,384	117,494	22,025	136,328	337,093
Net appreciation in fair value of investments	75	2,156	64,246		74,574	141,051
Interest expense	(106,321)	(90,963)	(65,798)	(45,941)	(121,583)	(430,606)
Loss on disposal of capital assets	(22,926)	(2,034)	(497)	(1,153)	(1,306)	(27,916)
Other	25,998	3,591	3,375	(4,540)	(1,546)	26,878
Other nonoperating revenues (expenses)	**(57,312)**	**(22,761)**	**146,048**	**(22,739)**	**147,422**	**190,658**
Change in net position	**(22,892)**	**(592,404)**	**516,653**	**86,702**	**690,022**	**678,081**
Net position						
Beginning of year	(1,238,553)	(816,948)	284,175	(1,265,380)	388,872	(2,647,834)
End of year	**($1,261,445)**	**($1,409,352)**	**$800,828**	**($1,178,678)**	**$1,078,894**	**($1,969,753)**

See accompanying notes to financial statements.

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University of California Medical Centers: Statements of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2025 (in thousands of dollars)

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total *(memorandum only)*
Operating revenues						
Net patient service revenue	$3,865,080	$3,372,217	$4,400,893	$4,117,937	$8,418,664	$24,174,791
Other operating revenue	199,415	205,203	621,961	154,122	489,609	1,670,310
Total operating revenues	**4,064,495**	**3,577,420**	**5,022,854**	**4,272,059**	**8,908,273**	**25,845,101**
Operating expenses						
Salaries and wages	1,679,300	1,468,555	1,755,855	1,483,212	3,123,419	9,510,341
Pension benefits	147,004	175,014	152,164	116,668	178,940	769,790
Retiree health benefits	27,005	81,937	1,242	48,735	125,455	284,374
Other employee benefits	385,622	330,141	364,635	346,029	682,836	2,109,263
Professional services	158,665	22,910	47,696	117,398	1,575,308	1,921,977
Medical supplies	875,960	742,542	914,567	1,118,323	1,600,696	5,252,088
Other supplies and purchased services	256,785	552,583	720,042	327,749	674,364	2,531,523
Depreciation and amortization	165,025	187,792	187,181	130,668	234,477	905,143
Insurance and other	104,070	114,993	96,538	134,408	179,523	629,532
Total operating expenses	**3,799,436**	**3,676,467**	**4,239,920**	**3,823,190**	**8,375,018**	**23,914,031**
Income (loss) from operations	**265,059**	**(99,047)**	**782,934**	**448,869**	**533,255**	**1,931,070**
Noncapital subsidies						
Direct government grants	3,104		10,265	4,706	188,314	206,389
Hospital fee program grants	6,119	3,320	4,798	3,742	6,440	24,419
Private gifts, net					29,536	29,536
Clinical teaching support		7,882	13,467			21,349
Transfers from (to) University, net	(37,929)	82,010	11,668	(11,409)		44,340
Changes in allocation for pension payable to University	34,684	(26,765)	(10,944)	9,422	(146,735)	(140,338)
Health system support	(127,724)	(240,606)	(495,773)	(281,782)	(146,448)	(1,292,333)
Total noncapital subsidies	**(121,746)**	**(174,159)**	**(466,519)**	**(275,321)**	**(68,893)**	**(1,106,638)**
Income (loss) from operations and noncapital subsidies	**143,313**	**(273,206)**	**316,415**	**173,548**	**464,362**	**824,432**
Other nonoperating revenues (expenses)						
Build America Bonds federal interest subsidies		3,349	2,876	2,401	14,163	22,789
Donated assets		6,333	445	14,163		20,941
Contributions (distributions) for capital assets	44	3,677	1,341	(25,264)	7,814	(12,388)
Investment income	45,625	22,334	109,644	15,388	136,309	329,300
Net appreciation in fair value of investments	19	3,503	42,972		30,474	76,968
Interest expense	(82,365)	(87,427)	(81,926)	(47,054)	(118,572)	(417,344)
Gain (loss) on disposal of capital assets	(3,974)	(129)	(233)	(502)	610	(4,228)
Other	8,213	874	4,364	(2,949)	(11,068)	(566)
Other nonoperating revenues (expenses)	**(32,438)**	**(47,486)**	**79,483**	**(43,817)**	**59,730**	**15,472**
Change in net position	**110,875**	**(320,692)**	**395,898**	**129,731**	**524,092**	**839,904**
Net position						
Beginning of year	(1,349,428)	(496,256)	(111,723)	(1,395,111)	(135,220)	(3,487,738)
End of year	**($1,238,553)**	**($816,948)**	**$284,175**	**($1,265,380)**	**$388,872**	**($2,647,834)**

See accompanying notes to financial statements.

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University of California Medical Centers: Statements of Cash Flows

For the year ended June 30, 2026 (in thousands of dollars)

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total *(memorandum only)*
Cash flows from operating activities:						
Receipts from patients and third-party payors	$3,975,399	$3,815,518	$4,728,939	$4,567,165	$9,111,595	$26,198,616
Payments to employees	(1,728,362)	(1,648,839)	(1,863,125)	(1,525,565)	(3,191,927)	(9,957,818)
Payments to suppliers	(1,371,359)	(1,525,041)	(1,839,717)	(1,868,840)	(4,267,267)	(10,872,224)
Payments for benefits	(700,730)	(640,311)	(654,469)	(580,786)	(1,112,510)	(3,688,806)
Other receipts	191,824	117,214	582,626	75,823	338,405	1,305,892
Net cash provided by operating activities	**366,772**	**118,541**	**954,254**	**667,797**	**878,296**	**2,985,660**
Cash flows from noncapital financing activities:						
Health system support	(174,710)	(186,779)	(473,818)	(383,310)	(146,904)	(1,365,521)
Direct government grants					31,358	31,358
Transfers from (to) University, net	(21,809)	(31,389)	25,037	(12,103)		(40,264)
Gifts received for other than capital purposes					27,431	27,431
Net cash used for noncapital financing activities	**(196,519)**	**(218,168)**	**(448,781)**	**(395,413)**	**(88,115)**	**(1,346,996)**
Cash flows from capital and related financing activities:						
Contributions (distributions) for capital assets		45,616	1,005	(1,843)	47,615	92,393
Proceeds from financing obligations and other borrowings	258,842	505,822	232,771	315,672	1,297,016	2,610,123
Build America Bonds federal interest subsidies		3,258	2,729	2,247	8,645	16,879
Purchases of capital assets	(676,895)	(227,010)	(282,202)	(110,097)	(800,026)	(2,096,230)
Refinancing or prepayment of outstanding debt	(163,092)	(264,199)	(232,653)	(288,935)	(484,020)	(1,432,899)
Principal paid on long-term debt	(77,236)	(58,282)	(56,709)	(75,375)	(52,876)	(320,478)
Interest paid on long-term debt	(115,049)	(103,970)	(72,065)	(47,631)	(122,595)	(461,310)
Gifts and donated funds		231	23,494	7,371		31,096
Proceeds from (repayment of) notes payable to campus		68,000		(2,107)		65,893
Other nonoperating receipts (payments)	12,732	5,465	(1,298)	657	26,668	44,224
Net cash used for capital and related financing activities	**(760,698)**	**(25,069)**	**(384,928)**	**(200,041)**	**(79,573)**	**(1,450,309)**
Cash flows from investing activities:						
Investment income received	45,336	15,384	116,320	22,025	141,262	340,327
Distributions from (contributions to) investments in joint ventures, net	838	231	(4,442)	(14,977)	9,474	(8,876)
Purchase of investments		(250)	(21,819)		(15,594)	(37,663)
Proceeds from sales and maturities of investments		8,601			12,291	20,892
Change in restricted assets	465,796	30,428	(10,387)	18,480	(322,654)	181,663
Other nonoperating receipts	18,890	911				19,801
Net cash provided by (used for) investing activities	**530,860**	**55,305**	**79,672**	**25,528**	**(175,221)**	**516,144**
Net change in cash and cash equivalents	**(59,585)**	**(69,391)**	**200,217**	**97,871**	**535,387**	**704,499**
Cash and cash equivalents, beginning of year	549,586	380,054	2,134,849	521,570	2,956,609	6,542,668
Cash and cash equivalents, end of year	**$490,001**	**$310,663**	**$2,335,066**	**$619,441**	**$3,491,996**	**$7,247,167**

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University of California Medical Centers: Statements of Cash Flows *(continued)*

For the year ended June 30, 2026 (in thousands of dollars)

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total *(memorandum only)*
Reconciliation of income (loss) from operations to net cash provided by operating activities:						
Income (loss) from operations	$186,329	($338,901)	$799,720	$479,203	$591,674	$1,718,025
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:						
Depreciation and amortization expense	189,503	223,628	199,822	154,075	246,165	1,013,193
Allowance for uncollectible accounts	144,648	306,463	121,306	25,522	274,675	872,614
Changes in operating assets and liabilities:						
Patient accounts receivable	(184,035)	(330,786)	(150,740)	(102,914)	(445,370)	(1,213,845)
Other receivables	18,092	(7,422)	12,495	9,515	58,259	90,939
Inventories	(14,067)	(4,565)	(7,334)	(9,772)	(21,286)	(57,024)
Prepaid expenses and other assets	13,198	(9,139)	(8,483)	(97,072)	(35,490)	(136,986)
Other assets	(25,220)	(716)	(5,579)		(3,758)	(35,273)
Accounts payable and accrued expenses	20,842	(34,371)	61,388	79,949	110,895	238,703
Accrued salaries and benefits	19,431	55,667	43,265	29,221	71,159	218,743
Third-party payor settlements, net	30,621	105,570	(28,221)	92,444	(18,963)	181,451
Other liabilities	5,742	16,003	(35,338)	(787)	(9,654)	(24,034)
Pension benefits	(82,565)	24,460	(66,999)	(43,715)	(69,720)	(238,539)
Retiree health benefits	44,253	112,650	18,952	52,128	129,710	357,693
Net cash provided by operating activities	**$366,772**	**$118,541**	**$954,254**	**$667,797**	**$878,296**	**$2,985,660**
Supplemental noncash activities information						
Changes in payables for property and equipment	$91,867	$4,550	($18,013)	$1,049	($6,953)	$72,500
Capital assets acquired or modified through leases	38,045	141,240	13,112	33,701	19,889	245,987
Capital assets acquired through subscription-based information technology arrangements (SBITAs)	(10,211)	67,116	39,752	37,224	4,264	138,145
Change in fair value of investments	75	2,156	64,246		74,574	141,051
Amortization of bond premium	6,892	15,902	3,030	6,872	2,940	35,636
Amortization of other borrowings			3,009			3,009
Capital asset transfers to the University				(905)		(905)
Change in fair value of interest rate swaps	(30)	(11)	4,529	(2,621)	590	2,457
Amortization of deferred cost of issuance		69	(125)			(56)
Beneficial interests in irrevocable split-interest agreements					768	768

See accompanying notes to financial statements.

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University of California Medical Centers: Statements of Cash Flows

For the year ended June 30, 2025 (in thousands of dollars)

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total *(memorandum only)*
Cash flows from operating activities:						
Receipts from patients and third-party payors	$3,802,779	$3,244,673	$4,453,788	$4,049,727	$8,133,123	$23,684,090
Payments to employees	(1,753,903)	(1,398,585)	(1,737,492)	(1,441,826)	(3,078,960)	(9,410,766)
Payments to suppliers	(1,395,029)	(1,293,742)	(1,689,108)	(1,708,466)	(3,821,665)	(9,908,010)
Payments for benefits	(706,562)	(572,886)	(613,607)	(542,060)	(1,059,801)	(3,494,916)
Other receipts	210,371	87,254	525,924	126,777	261,524	1,211,850
Net cash provided by operating activities	**157,656**	**66,714**	**939,505**	**484,152**	**434,221**	**2,082,248**
Cash flows from noncapital financing activities:						
Health system support	(127,724)	(240,606)	(495,773)	(281,782)	(146,435)	(1,292,320)
Direct government grants	3,104		10,265	4,706	183,364	201,439
Hospital fee program grants	14,437	3,320	4,798	3,741	16,092	42,388
Transfers from (to) University, net	(37,929)	137,288	25,135	(11,409)		113,085
Gifts received for other than capital purposes					29,865	29,865
Net cash provided by (used for) noncapital financing activities	**(148,112)**	**(99,998)**	**(455,575)**	**(284,744)**	**82,886**	**(905,543)**
Cash flows from capital and related financing activities:						
Contributions (distributions) for capital assets	44	3,677	1,341	(25,264)	7,814	(12,388)
Proceeds from financing obligations and other borrowings	920,188	947,603		89,230		1,957,021
Build America Bonds federal interest subsidies		3,349	2,876	2,401	14,201	22,827
Proceeds from the sale of capital assets	537			1,510	4,854	6,901
Purchases of capital assets	(669,339)	(295,397)	(356,798)	(105,287)	(671,555)	(2,098,376)
Cash paid for acquisitions, net of cash acquired					(69,396)	(69,396)
Refinancing or prepayment of outstanding debt		(749,860)		(1,494)		(751,354)
Principal paid on long-term debt	(67,210)	(42,909)	(56,325)	(63,199)	(52,783)	(282,426)
Interest paid on long-term debt	(74,588)	(93,124)	(74,652)	(54,622)	(122,112)	(419,098)
Gifts and donated funds		6,333	445	14,163		20,941
Other nonoperating receipts (payments)	(546)	(1,795)	2,580	182	(18,861)	(18,440)
Net cash provided by (used for) capital and related financing activities	**109,086**	**(222,123)**	**(480,533)**	**(142,380)**	**(907,838)**	**(1,643,788)**
Cash flows from investing activities:						
Investment income received	44,967	22,334	108,633	15,388	139,234	330,556
Distributions from (contributions to) investments in joint ventures, net	1,063	363	(3,771)	(189)	(9,897)	(12,431)
Purchase of investments	(500)	(3,836)	(5,078)	(2,044)	(15,747)	(27,205)
Proceeds from sales and maturities of investments		600			15,337	15,937
Change in restricted assets	(326,614)	(17,710)	65,819	22,637	428,770	172,902
Other nonoperating receipts	3,724	255				3,979
Net cash provided by (used for) investing activities	**(277,360)**	**2,006**	**165,603**	**35,792**	**557,697**	**483,738**
Net change in cash and cash equivalents	**(158,730)**	**(253,401)**	**169,000**	**92,820**	**166,966**	**16,655**
Cash and cash equivalents, beginning of year	708,316	633,455	1,965,849	428,750	2,789,643	6,526,013
Cash and cash equivalents, end of year	**$549,586**	**$380,054**	**$2,134,849**	**$521,570**	**$2,956,609**	**$6,542,668**

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University of California Medical Centers: Statements of Cash Flows *(continued)*

For the year ended June 30, 2025 (in thousands of dollars)

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total *(memorandum only)*
Reconciliation of income (loss) from operations to net cash provided by operating activities:						
Income (loss) from operations	$265,059	($99,047)	$782,934	$448,869	$533,255	$1,931,070
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:						
Depreciation and amortization expense	165,025	187,792	187,181	130,668	234,477	905,143
Allowance for uncollectible accounts	72,844	162,675	25,498	21,918	113,018	395,953
Changes in operating assets and liabilities:						
Patient accounts receivable	(122,815)	(336,581)	(78,245)	(35,874)	(384,247)	(957,762)
Other receivables	12,998	330	3,605	(17,925)	(87,905)	(88,897)
Inventories	(9,709)	(15,210)	(6,380)	(11,916)	(4,530)	(47,745)
Prepaid expenses and other assets	11,174	(13,807)	(18,992)	(2,245)	(21,985)	(45,855)
Other assets	6,787	12	2,285		(276)	8,808
Accounts payable and accrued expenses	25,292	53,310	7,546	(6,174)	37,558	117,532
Accrued salaries and benefits	(104,324)	66,576	42,656	40,968	116,846	162,722
Third-party payor settlements, net	(30,812)	46,362	63,039	(54,254)	38,553	62,888
Other liabilities	(51,337)	96	48,237	745	(5,569)	(7,828)
Pension benefits	(67,608)	(34,588)	(80,536)	(46,030)	(193,504)	(422,266)
Retiree health benefits	(14,918)	48,794	(39,323)	15,402	58,530	68,485
Net cash provided by operating activities	**$157,656**	**$66,714**	**$939,505**	**$484,152**	**$434,221**	**$2,082,248**
Supplemental noncash activities information						
Payables for property and equipment	$94,614	$14,238	$30,544	$4,782	$107,083	$251,261
Capital assets acquired through leases	96,530	27,291	14,819	34,522	26,496	199,658
Capital assets acquired through subscription-based information technology arrangements (SBITAs)	48,308	11,776	29,143	9,396	19,747	118,370
Change in fair value of investments	19	3,483	42,972		30,474	76,948
Amortization of bond premium	4,617	9,979	2,755	7,224	2,285	26,860
Amortization of other borrowings			3,008			3,008
Capital asset transfers from (to) the University		3,677		(25,264)		(21,587)
Change in fair value of interest rate swaps	(39)	1	(3,104)	(2,255)	(322)	(5,719)
Amortization of deferred cost of issuance		661	(13,133)			(12,472)
Beneficial interests in irrevocable split-interest agreements					16,337	16,337

See accompanying notes to financial statements.

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Notes to Financial Statements

Years ended June 30, 2026 and 2025

1. Organization

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

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

The Regents is the sole corporate and voting member of UCSF Health Community Hospitals and Children's Hospital & Research Center Oakland (CHRCO), which are both private, not-for-profit 501(c)(3) corporations. Children's Hospital & Research Center Foundation (CHRCO Foundation), a nonprofit public benefit corporation, is organized and operated for the purpose of supporting CHRCO. The San Francisco Medical Center's financial statements include CHRCO, combined with CHRCO Foundation, and UCSF Health Community Hospitals, which are blended component units of the University of California.

Basis of Presentation

The financial statements of the Medical Centers have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The Medical Centers are reported as a special purpose government entities engaged primarily in business type activities, as defined by the Governmental Accounting Standards Board (GASB). Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The Medical Centers are not legally separate entities from the University and therefore, under GASB requirements, a going concern evaluation at the level of the respective Medical Centers is not required and has not been performed by management.

Adoption of Accounting Pronouncements

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements* (GASB 103 or the Statement), effective for the Medical Centers' fiscal year beginning July 1, 2025, and applied on a retrospective basis. GASB 103 changes some of the reporting requirements issued in Statements 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* and Statement 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities*. GASB 103 adds a noncapital subsidies section to the Statement of Revenues, Expenses and Changes in Net Position (SRECNP) before other nonoperating revenues and expenses, and requires a new subtotal, "Operating income (loss) and noncapital subsidies." Other provisions of GASB 103 include (1) clarifying guidance for management's discussion and analysis, (2) defining operating and nonoperating revenues and expenses, (3) moving items previously reported as other changes in net position to either the noncapital subsidies section or the other nonoperating revenues and expenses section and (4) replacing extraordinary items and special items into a new "unusual or infrequent items" category.

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Tables 1.1a through **1.5b** present the effects of adopting GASB 103 and the change in accounting principle in the Medical Centers' financial statements for the year ended June 30, 2025 at Irvine, Los Angeles, San Diego, San Francisco, and total Medical Centers. The adoption of GASB 103 did not result in any adjustments to the financial statements of Davis.

Table 1.1a: Restated statement of revenues, expenses and changes in net position at Irvine for the year ended June 30, 2025 *(in thousands of dollars)*

Description	As previously reported	Effect of adoption of GASB 103	As restated
Operating revenues: Other operating revenue	$202,894	$2,309	$205,203
Other nonoperating revenues: Other	3,183	(2,309)	874

Table 1.1b: Restated statement of cash flows at Irvine for the year ended June 30, 2025 *(in thousands of dollars)*

Description	As previously reported	Effect of adoption of GASB 103	As restated
Cash flows from operating activities: Other receipts	$92,827	($5,573)	$87,254
Cash flows from noncapital financing activities: Transfers from University, net	129,406	7,882	137,288
Cash flows from capital and related financing activities: Other nonoperating receipts (payments)	514	(2,309)	(1,795)
Reconciliation of loss from operations to net cash provided by operating activities: Loss from operations	(93,474)	(5,573)	(99,047)

Table 1.2a: Restated statement of revenues, expenses and changes in net position at Los Angeles for the year ended June 30, 2025 *(in thousands of dollars)*

Description	As previously reported	Effect of adoption of GASB 103	As restated
Operating revenues: Other operating revenue	$618,760	$3,201	$621,961
Other nonoperating expenses: Distributions for noncontrolling interest, net	(96)	96	
Other nonoperating revenues: Investment income	112,845	(3,201)	109,644
Other nonoperating revenues: Other	4,460	(96)	4,364

Table 1.2b: Restated statement of cash flows at Los Angeles for the year ended June 30, 2025 *(in thousands of dollars)*

Description	As previously reported	Effect of adoption of GASB 103	As restated
Cash flows from operating activities: Other receipts	$536,190	($10,266)	$525,924
Cash flows from noncapital financing activities: Transfers from University, net	11,668	13,467	25,135
Cash flows from capital and related financing activities: Other nonoperating receipts	5,781	(3,201)	2,580
Reconciliation of income from operations to net cash provided by operating activities: Income from operations	793,200	(10,266)	782,934

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Table 1.3a: Restated statement of revenues, expenses and changes in net position at San Diego for the year ended June 30, 2025 *(in thousands of dollars)*

Description	As previously reported	Effect of adoption of GASB 103	As restated
Noncapital subsidies: Transfers to University, net	($36,673)	$25,264	($11,409)
Other nonoperating expenses: Distributions for building programs and other capital assets		(25,264)	(25,264)

Table 1.3b: Restated statement of cash flows at San Diego for the year ended June 30, 2025 *(in thousands of dollars)*

Description	As previously reported	Effect of adoption of GASB 103	As restated
Cash flows from noncapital financing activities: Transfers to University, net	($36,673)	$25,264	($11,409)
Cash flows from capital and related financing activities: Distributions for building programs and other capital assets		(25,264)	(25,264)

Table 1.4a: Restated statement of revenues, expenses and changes in net position at San Francisco for the year ended June 30, 2025 *(in thousands of dollars)*

Description	As previously reported	Effect of adoption of GASB 103	As restated
Noncapital subsidies: Health system support	($135,685)	($10,763)	($146,448)
Other nonoperating revenues (expenses): Contributions (distributions) for building programs and other capital assets	(2,949)	10,763	7,814

Table 1.4b: Restated statement of cash flows at San Francisco for the year ended June 30, 2025 *(in thousands of dollars)*

Description	As previously reported	Effect of adoption of GASB 103	As restated
Cash flows from noncapital financing activities: Health system support	($135,672)	($10,763)	($146,435)
Other nonoperating revenues: Contributions for building programs and other capital assets		7,814	7,814
Cash flows from capital and related financing activities: Other nonoperating payments	(21,810)	2,949	(18,861)

Table 1.5a: Restated statement of revenues, expenses and changes in net position total for the year ended June 30, 2025 *(memorandum only) (in thousands of dollars)*

Description	As previously reported	Effect of adoption of GASB 103	As restated
Other operating revenue: Other	$1,664,800	$5,510	$1,670,310
Noncapital subsidies: Transfers from University, net	19,076	25,264	44,340
Noncapital subsidies: Health system support	(1,281,570)	(10,763)	(1,292,333)
Other nonoperating revenues (expenses): Contributions (distributions) for building programs and other capital assets	2,113	(14,501)	(12,388)
Other nonoperating expenses: Distributions for noncontrolling interest, net	(96)	96	
Other nonoperating revenues: Investment income	332,501	(3,201)	329,300
Other nonoperating revenues (expenses): Other	1,839	(2,405)	(566)

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Table 1.5b: Restated statement of cash flows total for the year ended June 30, 2025 *(memorandum only) (in thousands of dollars)*

Description	As previously reported	Effect of adoption of GASB 103	As restated
Cash flows from operating activities: Other receipts	$1,227,689	($15,839)	$1,211,850
Cash flows from noncapital financing activities: Health system support	(1,281,557)	(10,763)	(1,292,320)
Cash flows from noncapital financing activities: Transfers from University, net	66,472	46,613	113,085
Cash flows from capital and related financing activities: Contributions (distributions) for building programs and other capital assets	5,062	(17,450)	(12,388)
Cash flows from capital and related financing activities: Other nonoperating payments	(15,879)	(2,561)	(18,440)
Reconciliation of income from operations to net cash provided by operating activities: Income from operations	1,946,909	(15,839)	1,931,070

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104 or the Statement), effective for the Medical Centers' fiscal year beginning July 1, 2025. GASB 104 requires certain types of capital assets to be disclosed separately. The Statement also requires additional disclosures of capital assets held for sale. A capital asset is a capital asset held for sale if the Medical Centers have decided to pursue the sale of the capital asset and it is probable that the sale will be finalized within one year of the financial statement date. The Medical Centers implemented the disclosure requirements of GASB 104, including the separate presentation of lease assets within the categories of certain types of capital assets in the notes to financial statements.

In December 2025, GASB issued Statement No. 105, *Subsequent Events* (GASB 105 or the Statement). GASB 105 is effective for fiscal years beginning after June 15, 2026; however, the Medical Centers early adopted the statement in the current fiscal year. GASB 105 defines subsequent events as events or transactions that occur after the financial statement date but before the financial statements are available to be issued. The Statement establishes guidance for distinguishing between recognized and nonrecognized subsequent events, clarifies the period during which subsequent events should be evaluated, and provides specific note disclosure requirements for certain subsequent events. The Medical Centers' adoption of GASB 105 enhanced disclosures related to subsequent events.

Significant Accounting Policies

Significant accounting policies of the Medical Centers are as follows:

Cash and cash equivalents

All University operating entities seek to optimize returns on their cash balances by participating in investment pools managed by the Office of the Chief Investment Officer of the Regents (UC Investments). The Regents oversee all of the University's investment pools — Short Term Investment Pool (STIP), Total Return Investment Pool (TRIP), Blue and Gold Pool (BGP) and General Endowment Pool (GEP) — and establish the related investment policies, which are implemented by UC Investments.

The Medical Centers classify demand deposits and investment pool balances, excluding those designated for construction, as cash and cash equivalents. While the majority of the Medical Centers' cash is held in STIP, each Chancellor has the discretion to invest cash and cash equivalents in any of the University's investment pools and remains obligated to make these funds available to their respective Medical Centers upon request.

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

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

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

Additional information on cash and investments can be obtained from the 2025–26 annual financial report of the University of California at https://www.ucop.edu/uc-controller/financial-reports/annual-financial-reports.html.

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Investments

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

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

Inventories

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

Prepaid expenses and other assets

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

Restricted assets, deposits held for hospital construction

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

Restricted assets, donor funds

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

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

Beneficial interests in irrevocable split-interest agreements

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

Capital assets, net

The Medical Centers' capital assets are reported at cost at the date of acquisition. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. The range of the estimated useful lives for the Medical Centers' buildings and improvements is 15 to 33 years and for equipment is 2 to 20 years. University guidelines mandate that land purchased with the Medical Centers' funds is recorded as an asset of the Medical Centers, and land utilized by the Medical Centers but purchased with other sources of funds is recorded as an asset of the University. Intangible assets include right-to-use lease assets, right-to-use subscription assets and similar arrangements. Leases and subscription assets are recorded at the estimated present value of future payments expected to be made during the term, net of amounts paid in advance. For subscription assets, the subscription asset is adjusted for capitalizable implementation costs. Assets under leases and subscription assets are amortized over the shorter of the lease or subscription term or the estimated useful life of the asset. Significant additions, replacements, major repairs and renovations to infrastructure and buildings

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are generally capitalized by the Medical Centers if the cost is equal to or greater than $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost equal to or greater than $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.

Investments in joint ventures

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

Interest rate swap agreements

The Medical Centers have entered into interest rate swap agreements to limit the exposure of their variable-rate debt to changes in market interest rates. These derivative financial instruments are agreements that involve the exchange with a counterparty of fixed- and variable-rate interest payments periodically over the life of the agreement without exchange of the underlying notional principal amounts. The difference to be paid or received is recognized over the life of the agreements as an adjustment to interest expense.

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

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

Bond premium

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

Self-insurance programs

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

The self-insurance programs are administered by the University's Office of the President. The Medical Centers participate in these programs, but the related self-insurance assets and liabilities are not included in the accompanying financial statements. The University records a liability when it is probable that a loss has occurred and the amount can be reasonably estimated. The liability includes an estimate of claims incurred but not reported and is based on an independent actuarial determination of the present value of anticipated future payments.

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

Asset retirement obligations

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

Leases where Medical Centers are lessors

The Medical Centers are lessors of buildings and equipment under agreements that extend through 2079. Some leases include one or more options to renew, with renewal terms that can extend the lease term from one to 30 years. Leases may also include options

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to terminate the leases. Certain of the Medical Centers' 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 Medical Centers measure the deferred inflows of resources at the present value of payments expected to be received including any advance lease payments or lease incentives during the lease term.

Deferred outflows of resources and deferred inflows of resources

Deferred outflows of resources and deferred inflows of resources represent a consumption and acquisition of net position that applies to a future period, respectively. The Medical Centers classify gains on refunding of debt, increases in the fair value of hedging derivatives, certain lease payments to be received and the net interest in irrevocable split-interest agreements as deferred inflows of resources. The Medical Centers classify losses on refunding of debt, decreases in the fair value of hedging derivatives, certain asset retirement obligations and results from certain acquisitions as deferred outflows of resources. The difference between the net position acquired and consideration provided for acquisitions are reported as deferred outflow of resources and are recognized over the expected remaining service life of capital assets acquired, when acquisitions are largely based on the expected use of those capital assets or the duration of any acquired contracts.

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

Net position

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

- **Net investment in capital assets** Capital assets, net of accumulated depreciation, reduced by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted** The Medical Centers classify net position resulting from transactions with purpose restrictions as restricted net position until the resources are used for the specific purpose or for as long as the donor requires the resources to remain intact.
  - **Nonexpendable** Net position subject to externally imposed restrictions that must be retained in perpetuity. Also included in nonexpendable net position are minority interests, which include the net position of legally separate organizations attributable to other participants.
  - **Expendable** Net position whose use is subject to externally imposed restrictions that can be fulfilled by actions pursuant to those restrictions or that expire by the passage of time.
- **Unrestricted** Net position that is neither restricted nor invested in capital assets, net of related debt. Unrestricted net position may be designated for specific purposes by management or The Regents. Substantially all unrestricted net position is allocated for operating initiatives or programs, or for capital programs.

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

Contributions received by CHRCO may be designated by the donor for restricted purposes or may be without restriction as to their use. Contributions restricted by donors as to use or time period are reported as restricted until used in a manner designated or upon expiration of the time period. Under California law, income and gains on permanently restricted net position are maintained in restricted expendable net position until those amounts are appropriated for expenditure by the CHRCO Board of Directors in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Income and gains on permanently restricted net position that are available for expenditure are $19.3 million and $18.4 million at June 30, 2026 and 2025, respectively.

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Revenues and expenses

Nonoperating revenues and expenses are: 1) subsidies received and provided, 2) contributions to permanent and term endowments, 3) revenues and expenses related to financing, 4) resources from the disposal of capital assets and inventory and 5) investment income and expenses. Nonoperating revenues and expenses are presented in two separate sections of the SRECNP; noncapital subsidies and other nonoperating revenues (expenses). Subsidies must be nonexchange transactions and are defined as: 1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, 2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies and 3) all other transfers. If a transaction meets the subsidy definition, it is then determined whether it is capital or noncapital for presentation in the appropriate section of the SRECNP.

Noncapital subsidies include the noncapital portion of direct government grants, Hospital Fee Program grants, net private gifts, clinical teaching support, net transfers from (to) University, changes in allocation for pension payable to University and health system support. Any capital portion of net transfers from (to) University or health system support is included in contributions (distributions) for capital assets in the other nonoperating revenues (expenses) section. Noncapital subsidies include direct government grants (excluding research and development grants which are recorded as operating revenue), which are reimbursed based on actual expenses incurred or units of service provided. Revenue from these grants is recognized as noncapital subsidies either when expenses are incurred or when services are provided, depending on the grant award agreements.

Other nonoperating revenues (expenses) include the capital portion of any revenues and expenses associated with subsidies, contributions to endowments, financing activities, investment activities and disposal of capital assets. Other nonoperating revenues and expenses also include federal interest subsidies, donated assets, contributions (distributions) for capital assets, investment income, net appreciation (depreciation) in the fair value of investments, interest expense, gains (losses) on the disposal of capital assets and other transfers.

Operating revenues and expenses are revenues and expenses other than nonoperating revenues and expenses. Operating revenues and expenses result from providing healthcare and conducting the Medical Centers' principal ongoing operations. Revenues at UCSF include professional fees earned by the faculty physicians practicing as the UCSF Faculty Clinical Practices. Operating revenues include net patient service revenue reported at the estimated net realizable amounts from patients, third-party payors including Medicare and Medi-Cal and others for services rendered, including estimated retroactive audit adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. The Medical Centers believe they are in compliance with all applicable laws and regulations related to the Medicare and Medi-Cal programs.

The Medical Centers estimate and recognize an allowance for uncollectible patient accounts based on historical experience.

Measure C is a 0.5% sales tax that was approved by Alameda County voters in March 2020 to expand access to early childhood education and healthcare services in Alameda County. The measure was delayed but was upheld by the California Supreme Court in 2024. CHRCO recognizes these funds as direct government grants.

The Medical Centers received Employee Retention Credits (ERC), which are refundable tax credits for eligible tax-exempt organizations that had employees that were affected during the COVID-19 pandemic. These funds were included in direct government grants.

Net pension liability (asset)

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

Net pension asset includes the net pension asset for the Retirement Plan for Children's Hospital & Research Center Oakland (CHRCO Plan). The net pension asset is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position have been measured consistently with the accounting policies used by the CHRCO Plan. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal

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agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

Net retiree health benefits liability

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

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

Pension payable to University

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

Charity care

The Medical Centers provide care without charge or at amounts less than their established rates to patients who meet certain criteria under their charity care policies. Amounts determined to qualify as charity care are not reported as net patient service revenue. The Medical Centers also provide services to patients under publicly sponsored programs, which may reimburse at amounts less than the cost of the services provided to the recipients. The difference between the cost of services provided to these patients and the expected reimbursement is included in the estimated cost of charity care (refer to Note 4).

Transactions with the University and University affiliates

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

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

Compensated absences

The Medical Centers accrue annual leave, including vacation, PTO, sick leave and related employer costs, for employees at rates based upon length of service and job classification. Compensatory time is accrued based upon job classification and hours worked. When accumulated compensated absence balances are utilized by employees for time off, it is assumed that those balances are used chronologically, starting from those recently earned to those earned in prior fiscal periods.

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Tax exemption

The University of California is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). The University is also exempt from federal income tax under IRC Section 115(a) as a state institution. In addition, the University is exempt from state income taxes imposed under the California Revenue and Taxation Code. CHRCO and UCSF Health Community Hospitals are qualified for exemption under IRC Section 501(c)(3). The University, its affiliated entities and component units remain subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption as unrelated business income tax under IRC Section 511.

Use of estimates

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

New Accounting Pronouncement

In September 2026, GASB issued Implementation Guide No. 2026-1, *Financial Reporting Model Improvements — Subsidies*, which provides additional guidance on applying the subsidy requirements of GASB Statement No. 103, *Financial Reporting Model Improvements*. The guidance is effective for the University beginning July 1, 2026, with earlier application encouraged. The Medical Centers have elected not to early adopt the implementation guidance in 2026 and are evaluating its potential impact on their financial statement for 2027.

2. Investments

Tables 2a and **2b** present the composition of investments by investment type and fair value level at June 30, 2026 and 2025, respectively.

Table 2a: Composition of investments at June 30, 2026 *(in thousands of dollars)*

Description	Fair value level	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Balanced funds	NAV			$566,948		$416,562	$983,510
Other	2					968	968
Commingled funds				**566,948**		**417,530**	**984,478**
Other investments	3	$500	$11,264		$2,044	117	13,925
Total investments		**500**	**11,264**	**566,948**	**2,044**	**417,647**	**998,403**
Less: Current portion		(500)		(396,344)			(396,844)
Less: Reported as restricted assets in donor funds						(80,458)	(80,458)
Noncurrent portion			**$11,264**	**$170,604**	**$2,044**	**$337,189**	**$521,101**

Table 2b: Composition of investments at June 30, 2025 *(in thousands of dollars)*

Description	Fair value level	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Balanced funds	NAV			$480,958		$348,375	$829,333
Other	2					1,143	1,143
Commingled funds				**480,958**		**349,518**	**830,476**
Other investments	3	$500	$19,615		$2,044	140	22,299
Total investments		**500**	**19,615**	**480,958**	**2,044**	**349,658**	**852,775**
Less: Current portion		(500)		(360,443)			(360,943)
Less: Reported as restricted assets in donor funds						(71,983)	(71,983)
Noncurrent portion			**$19,615**	**$120,515**	**$2,044**	**$277,675**	**$419,849**

The University-managed commingled funds (UC pooled funds) serve as the core investment vehicle for the Medical Centers.

Additional information on the University's investments can be obtained from the 2025–26 annual report of the University of California at https://www.ucop.edu/uc-controller/financial-reports/annual-financial-reports.html.

Total Return Investment Pool (TRIP)

TRIP allows participants the opportunity to maximize the return on their long-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP supplements STIP by investing in an intermediate-term, higher-risk portfolio allocated across equities, fixed-income and liquid alternative strategies, and allows participants to maximize the return on their long-term capital. The objective of TRIP is to generate a rate of return above the policy benchmark, after all costs and fees, consistent with liquidity, cash flow requirements and the risk. UCLA Medical Center's investments in TRIP are classified as commingled balanced funds. TRIP is considered to be an external investment pool from the Medical Center's perspective. The fair value of the UCLA Medical Center's investment in TRIP was $396.3 million and $360.4 million at June 30, 2026 and 2025, respectively.

General Endowment Pool (GEP)

GEP is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. GEP is a balanced portfolio of equities, fixed-income securities and alternative investments. The primary goal is to maximize long-term total return, growth of principal and a growing payout stream to ensure that future funding for endowment-supported activities can be maintained. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements. UCLA Medical Center's investments in GEP are classified as commingled balanced funds. GEP is considered to be an external investment pool from the Medical Center's perspective. The fair value of the UCLA Medical Center's investment in GEP was $170.6 million and $120.5 million at June 30, 2026 and 2025, respectively.

Endowed Investment Pool (EIP)

UCSF Medical Center invests primarily in the UCSF Foundation's EIP, the UCSF Foundation's primary investment vehicle for endowed gifts. The EIP's primary investment objective is growth of principal sufficient to preserve purchasing power and provide income to support current and future activities. Investments in EIP include readily marketable equity and fixed-income securities and other types of investments, including alternative investments. EIP represents investments in a unitized pool. UCSF Medical Center's investments in EIP are classified as commingled balanced funds. Participants in EIP may purchase or redeem shares monthly at the unitized value of the pool at the time of purchase or redemptions.

Investments in EIP by the UCSF Foundation require 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 such as providing a forecasted schedule of cash withdrawals 90 days prior to the start of each fiscal year.

Fair Value

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

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

- **Level 1** Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Level 1 investments include equity securities, commingled funds (exchange traded funds and mutual funds) and other publicly traded securities.
- **Level 2** Quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly are classified as Level 2. Level 2 investments include fixed- or variable-income securities, commingled funds (institutional funds not listed in active markets) and other assets that are valued using market information.
- **Level 3** Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment.

- **Net Asset Value (NAV)** Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in non-governmental entities that do not have a readily determinable fair value may be valued at NAV. Investments measured at NAV include commingled balanced funds.
- **Not leveled** Cash and cash equivalents including pending trades and settlements within various pools are not measured at fair value and, therefore, are not subject to the fair value disclosure requirements.

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed-income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed-income securities are particularly sensitive to credit risks and changes in interest rates. The Medical Centers have established investment policies to provide the basis for the management of a prudent investment program appropriate to the particular fund type.

Credit risk

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

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

Certain fixed-income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are considered to have minimal credit risk.

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

Custodial credit risk

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

Concentration of credit risk

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

Interest rate risk

Interest rate risk is the risk that the fair value of fixed-income securities will decline because of changing interest rates. The prices of fixed-income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100-basis-point (1-percentage-point) change in the level of interest rates.

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

Foreign currency risk

The University's strategic asset allocation policy for TRIP and GEP as well as the UCSF Foundation's asset allocation strategy includes allocations to non-U.S. equities and non-dollar-denominated bonds. Exposure from foreign currency risk results from investments in foreign currency-denominated equity, fixed-income and private equity securities. At June 30, 2026 and 2025, UCSF Medical Center is subject to foreign currency risk as a result of holding various currency denominations.

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3. Net Patient Service Revenue

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

Medicare

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

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

The Medical Centers are reimbursed for cost reimbursable items at a tentative rate with final settlement of such items determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The Medical Centers' classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Medical Centers have received final notices from the Medicare fiscal intermediary through June 30, 2013 for Davis; through June 30, 2019 for Irvine; through June 30, 2019 for Ronald Reagan UCLA Medical Center; through June 30, 2023 for UCLA Santa Monica Medical Center; through June 30, 2024 for Resnick Neuropsychiatric Hospital; through June 30, 2018 for San Diego; through June 30, 2019 with certain prior years pending settlement for San Francisco and through June 30, 2022 for CHRCO. The fiscal intermediary is in the process of conducting its audits of the subsequent cost reports. The results of these audits have yet to be finalized and any amounts due to or from Medicare have not been determined. Estimated receivables and payables related to all open cost reporting periods are included in the statements of net position as third-party payor settlements.

Medi-Cal

The Medicaid program is referred to as Medi-Cal in California. Historically, Medi-Cal fee-for-service (FFS) payments for inpatient hospital services were made in accordance with the terms and conditions of federal Medicaid hospital financing waivers and legislation enacted by the state of California (collectively, the Waiver Program). The Medical Centers are reimbursed at interim rates with final settlement of such items determined after submission of annual filings and audits thereof by the state. Payments under the Waiver Program are based on the allocation of pooled funds amongst certain University of California Medical Centers (Davis, Irvine, San Diego and San Francisco) and are subject to change based on the audit results of participating University of California Medical Centers. UCLA Medical Center and the remaining designated public hospitals in California receive Disproportionate Share Hospital Program (DSH) payments under a Waiver Program known as the Global Payment Program, which transitions from a cost-based reimbursement methodology to a value-based payment system focused on services provided to the uninsured. The State is in the process of conducting audits of the Waiver Program. The results of these audits have yet to be finalized and any amounts due to or from Medi-Cal have not been determined. Estimated receivables and payables related to all Waiver Program reporting periods are included in the statements of net position as third-party payor settlements. The Medical Centers may be eligible to receive enhanced payments and additional reimbursement for Medi-Cal managed care patients under the Quality Incentive Pool Program (QIP) and Designated Public Hospital Enhanced Payment Program (EPP). Revenues for these programs are recognized in the fiscal period in which Centers for Medicare and Medicaid Services (CMS) preprint approval is obtained, services are rendered and amounts are reasonably estimable. As of June 30, 2026 and 2025, CMS preprint approvals had been received for both programs covering program periods through December 31, 2025. Accordingly, revenues under these programs related to services rendered from January 1 through June 30, 2026, have not been recognized in the 2026 SRECNP. Because the timing of CMS preprint approvals may not coincide with the periods in which the related services are rendered, revenues recognized under these programs may vary from period to period and may include amounts related to services rendered in prior periods.

CHRCO has a contractual agreement with the Medi-Cal program, which includes patients that qualify for California Children's Services. CHRCO is an essential Medi-Cal and California Children's Services provider. Inpatient services are reimbursed by the All Patient Refined Diagnosis Related Group, at a per-case rate based upon acuity. Outpatient services are paid via fee schedules. In addition, CHRCO is

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the recipient of Medi-Cal funds under various state of California programs, in particular the Private Hospital Supplemental Fund and DSH. The state of California funds eligible hospitals based upon the total pool of funding available and a formula for distribution. The legislative funding is subject to retroactive reductions and potential future elimination.

Hospital Fee Program

California's Hospital Fee Program provides Medicaid supplemental payments to certain hospitals. The program is funded by a Quality Assurance Fee paid by participating hospitals and by federal matching funds. The Medical Centers receive grant revenue funded by the Hospital Fee Program. All Medical Centers except CHRCO are designated as public hospitals and are exempt from the Quality Assurance Fee. CHRCO, a private nonpublic hospital, participates in the program and recognized $62.9 million and $69.3 million in supplemental patient service revenue for the years ended June 30, 2026 and 2025, respectively. CHRCO paid $6.4 million and $17.4 million in Quality Assurance Fees for those years, respectively. Revenue is recognized when CMS approval for the applicable program period has been received and the amounts are reasonably estimable. Because CMS approval may not coincide with the applicable program period, revenue recognized may vary from year to year and may include amounts related to prior periods.

Assembly Bill 915

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

Senate Bill 1732

State of California Senate Bill 1732 provides for supplemental Medi-Cal reimbursement to DSH for costs (i.e., principal and interest) of qualified patient care capital construction. For the years ended June 30, 2026 and 2025, the Medical Centers applied for and received additional revenue related to the reimbursement of costs for certain debt-financed construction projects based on the Medical Centers' Medi-Cal utilization rate.

Other

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

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

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

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Table 3.1 presents amount due from Medicare as a percentage of net patient accounts receivable at June 30.

Table 3.1: Amount due from Medicare as a percentage of net patient accounts receivable *(by percentage)*

Location	2026	2025
Davis	17.8%	13.4%
Irvine	32.3	26.3
Los Angeles	17.2	22.7
San Diego	29.8	30.6
San Francisco	15.8	13.7

Table 3.2 presents amount due from Medi-Cal as a percentage of net patient accounts receivable at June 30.

Table 3.2: Amount due from Medi-Cal as a percentage of net patient accounts receivable *(by percentage)*

Location	2026	2025
Davis	13.9%	14.1%
Irvine	16.6	17.5
Los Angeles	13.2	14.9
San Diego	15.0	17.0
San Francisco	19.0	19.7

CHRCO receives Medi-Cal supplemental payments, which are comprised of both federal and non-federal components. CHRCO received $85.9 million and $108.9 million under these programs for the years ended June 30, 2026 and 2025, respectively.

For the years ended June 30, net patient service revenue included amounts due to cost report settlements and changes in estimates in settlements related to Medicare, Medi-Cal and County Medical Services Program.

Table 3.3 presents net change in settlement estimates.

Table 3.3: Net change in settlement estimates *(in thousands of dollars)*

Location	2026	2025
Davis	$51,111	$49,047
Irvine	42,370	10,373
Los Angeles	107,279	55,107
San Diego	14,812	90,593
San Francisco	116,310	154,676
Total	**$331,882**	**$359,796**

Net patient accounts receivable and net patient service revenue at June 30 are presented net of allowance for uncollectible accounts.

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Table 3.4 presents patient accounts receivable allowance at June 30, 2026 and 2025.

Table 3.4: Patient accounts receivable allowance at June 30, 2026 and 2025 *(in thousands of dollars)*

Location	2026	2025
Davis	$91,554	$77,300
Irvine	369,299	194,103
Los Angeles	263,186	173,954
San Diego	310,164	305,016
San Francisco	425,045	337,186
Total	**$1,459,248**	**$1,087,559**

Table 3.5 presents patient service revenue allowance for the years ended June 30 in 2026 and 2025.

Table 3.5: Patient service revenue allowance in 2026 and 2025 *(in thousands of dollars)*

Location	2026	2025
Davis	$144,648	$72,844
Irvine	306,463	162,675
Los Angeles	121,306	25,498
San Diego	25,522	21,918
San Francisco	274,675	113,018
Total	**$872,614**	**$395,953**

Tables 3.6a and **3.6b** present net patient service revenue by major payor in 2026 and 2025, respectively.

Table 3.6a: Net patient service revenue by major payor in 2026 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Medicare	$1,010,998	$1,381,774	$1,212,785	$1,237,162	$2,184,152	$7,026,871
Medi-Cal	774,704	864,596	733,027	863,615	2,203,886	5,439,828
Contract (discounted or per diem)	2,048,519	1,407,533	2,556,195	2,401,652	4,713,330	13,127,229
Contract (capitated)	8,370		311,427		85,992	405,789
Non-sponsored/self-pay	97,903	80,368	2,457	7,684	82,134	270,546
Total	**$3,940,494**	**$3,734,271**	**$4,815,891**	**$4,510,113**	**$9,269,494**	**$26,270,263**

Table 3.6b: Net patient service revenue by major payor in 2025 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Medicare	$975,946	$1,134,990	$1,218,017	$1,103,247	$1,743,564	$6,175,764
Medi-Cal	830,817	752,449	684,787	903,327	1,872,102	5,043,482
Contract (discounted or per diem)	2,044,675	1,462,710	2,178,688	2,103,293	4,657,096	12,446,462
Contract (capitated)	470		293,847		88,861	383,178
Non-sponsored/self-pay	13,172	22,068	25,554	8,070	57,041	125,905
Total	**$3,865,080**	**$3,372,217**	**$4,400,893**	**$4,117,937**	**$8,418,664**	**$24,174,791**

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4. Charity Care

Tables 4a and **4b** present information related to the Medical Centers' charity care in 2026 and 2025, respectively.

Table 4a: Charity care in 2026 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Charity care at established rates	$54,564	$191,579	$14,272	$96,772	$149,922	$507,109
Estimated cost of charity care	10,355	49,471	4,746	24,672	39,684	128,928
Estimated cost in excess of reimbursement for patients under publicly sponsored programs	732,314	960,094	572,660	742,259	1,684,447	4,691,774

Table 4b: Charity care in 2025 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Charity care at established rates	$67,347	$196,919	$18,383	$76,155	$189,572	$548,376
Estimated cost of charity care	13,005	37,593	5,419	21,449	51,493	128,959
Estimated cost in excess of reimbursement for patients under publicly sponsored programs	697,650	886,986	283,374	633,593	1,472,828	3,974,431

5. Capital Assets

Tables 5.1a, **5.1b** and **5.1c** present capital asset activity at Davis in 2026 and 2025 on original cost, accumulated depreciation and amortization, and net capital assets, respectively.

Table 5.1a: Capital assets at original cost at Davis *(in thousands of dollars)*

Capital assets, at original cost	2024	Additions/ transfers	Disposals	2025	Additions/ transfers	Disposals	2026
Land	$113,401			$113,401			$113,401
Buildings and improvements	1,917,183	$144,529		2,061,712	$745,555		2,807,267
Equipment and software	634,500	81,086	($27,124)	688,462	168,431	($44,677)	812,216
Lease assets: Buildings and improvements	393,086	65,904	(16,336)	442,654	32,128	(40,119)	434,663
Lease assets: Equipment	34,987	30,626	(18,340)	47,273	5,917	(10,145)	43,045
Subscription assets	62,816	48,308	(18,555)	92,569	(10,211)	(8,446)	73,912
Construction in progress	1,254,137	450,744	(2,914)	1,701,967	(108,776)	(2,573)	1,590,618
Total	**$4,410,110**	**$821,197**	**($83,269)**	**$5,148,038**	**$833,044**	**($105,960)**	**$5,875,122**

Table 5.1b: Accumulated depreciation and amortization at Davis *(in thousands of dollars)*

Accumulated depreciation and amortization	2024	Depreciation/ amortization	Disposals	2025	Depreciation/ amortization	Disposals	2026
Buildings and improvements	$924,550	$58,346		$982,896	$65,311		$1,048,207
Equipment and software	431,592	51,891	($22,928)	460,555	69,501	($24,183)	505,873
Lease assets: Buildings and improvements	111,698	27,595		139,293	26,559	(11,472)	154,380
Lease assets: Equipment	15,949	8,194	(4,165)	19,978	9,509	(9,660)	19,827
Subscription assets	29,689	18,999	(18,554)	30,134	18,623	(8,445)	40,312
Total	**$1,513,478**	**$165,025**	**($45,647)**	**$1,632,856**	**$189,503**	**($53,760)**	**$1,768,599**

Table 5.1c: Net capital assets at Davis *(in thousands of dollars)*

Capital assets	2024	2025	2026
Capital assets, net	**$2,896,632**	**$3,515,182**	**$4,106,523**

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Tables 5.2a, **5.2b** and **5.2c** present capital asset activity at Irvine in 2026 and 2025 on original cost, accumulated depreciation and amortization, and net capital assets, respectively.

Table 5.2a: Capital assets at original cost at Irvine *(in thousands of dollars)*

Capital assets, at original cost	2024	Additions/ transfers	Disposals	2025	Additions/ transfers	Disposals	2026
Land	$216,821			$216,821	($8,640)		$208,181
Buildings and improvements	1,617,254	$31,098		1,648,352	907,504		2,555,856
Equipment and software	741,048	127,030	($3,583)	864,495	192,584	($22,741)	1,034,338
Lease assets: Land					3,816		3,816
Lease assets: Buildings and improvements	134,714	19,598	(3,066)	151,246	130,113	(14,175)	267,184
Lease assets: Equipment	93,144	7,693	(651)	100,186	7,311	(453)	107,044
Subscription assets	63,279	11,776	(2,834)	72,221	67,116	(13,519)	125,818
Construction in progress	736,804	151,469		888,273	(859,888)		28,385
Total	**$3,603,064**	**$348,664**	**($10,134)**	**$3,941,594**	**$439,916**	**($50,888)**	**$4,330,622**

Table 5.2b: Accumulated depreciation and amortization at Irvine *(in thousands of dollars)*

Accumulated depreciation and amortization	2024	Depreciation/ amortization	Disposals	2025	Depreciation/ amortization	Disposals	2026
Buildings and improvements	$631,829	$65,415		$697,244	$80,036		$777,280
Equipment and software	496,194	63,591	($3,454)	556,331	70,817	($20,706)	606,442
Lease assets: Land					50		50
Lease assets: Buildings and improvements	27,991	14,622	(3,066)	39,547	17,393	(7,716)	49,224
Lease assets: Equipment	25,361	11,892	(971)	36,282	12,729	(103)	48,908
Subscription assets	22,955	15,042	(3,938)	34,059	25,425	(11,402)	48,082
Total	**$1,204,330**	**$170,562**	**($11,429)**	**$1,363,463**	**$206,450**	**($39,927)**	**$1,529,986**

Table 5.2c: Net capital assets at Irvine *(in thousands of dollars)*

Capital assets	2024	2025	2026
Capital assets, net	**$2,398,734**	**$2,578,131**	**$2,800,636**

Tables 5.3a, **5.3b** and **5.3c** present capital asset activity at Los Angeles in 2026 and 2025 on original cost, accumulated depreciation and amortization, and net capital assets, respectively.

Table 5.3a: Capital assets at original cost at Los Angeles *(in thousands of dollars)*

Capital assets, at original cost	2024	Additions/ transfers	Disposals	2025	Additions/ transfers	Disposals	2026
Land	$124,216	$14,940		$139,156	$16,888		$156,044
Buildings and improvements	2,387,763	64,794		2,452,557	49,440	($82)	2,501,915
Equipment and software	705,900	80,812	($30,549)	756,163	69,998	(48,600)	777,561
Lease assets: Land	8,809	602		9,411			9,411
Lease assets: Buildings and improvements	113,562	14,064		127,626	5,558	(7,524)	125,660
Lease assets: Equipment	44,543	153	(179)	44,517	7,554	(2,232)	49,839
Subscription assets	56,965	29,143	(12,522)	73,586	42,668	(18,109)	98,145
Construction in progress	230,541	228,749		459,290	125,514		584,804
Total	**$3,672,299**	**$433,257**	**($43,250)**	**$4,062,306**	**$317,620**	**($76,547)**	**$4,303,379**

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Table 5.3b: Accumulated depreciation and amortization at Los Angeles *(in thousands of dollars)*

Accumulated depreciation and amortization	2024	Depreciation/ amortization	Disposals	2025	Depreciation/ amortization	Disposals	2026
Buildings and improvements	$978,188	$76,881	($669)	$1,054,400	$77,841	($394)	$1,131,847
Equipment and software	512,268	64,108	(27,770)	548,606	69,986	(47,791)	570,801
Lease assets: Land	2,581	517		3,098	515		3,613
Lease assets: Buildings and improvements	41,221	9,476		50,697	8,906	(7,021)	52,582
Lease assets: Equipment	12,276	6,797	(179)	18,894	8,403	(1,498)	25,799
Subscription assets	24,660	21,161	(12,522)	33,299	25,453	(18,109)	40,643
Total	**$1,571,194**	**$178,940**	**($41,140)**	**$1,708,994**	**$191,104**	**($74,813)**	**$1,825,285**

Table 5.3c: Net capital assets at Los Angeles *(in thousands of dollars)*

Capital assets	2024	2025	2026
Capital assets, net	**$2,101,105**	**$2,353,312**	**$2,478,094**

Tables 5.4a, **5.4b** and **5.4c** present capital asset activity at San Diego in 2026 and 2025 on original cost, accumulated depreciation and amortization, and net capital assets, respectively.

Table 5.4a: Capital assets at original cost at San Diego *(in thousands of dollars)*

Capital assets, at original cost	2024	Additions/ transfers	Disposals	2025	Additions/ transfers	Disposals	2026
Land	$48,682			$48,682			$48,682
Buildings and improvements	2,114,399	$324,179	($25,264)	2,413,314	$31,130	($767)	2,443,677
Equipment and software	452,174	65,139	(26,155)	491,158	39,126	(83,216)	447,068
Lease assets: Buildings and improvements	95,667	12,688	(1,054)	107,301	3,384	(276)	110,409
Lease assets: Equipment	56,149	21,834	(19,744)	58,239	30,317	(13,898)	74,658
Subscription assets	52,650	9,396	(6,921)	55,125	37,224	(24,744)	67,605
Construction in progress	307,903	(253,983)		53,920	40,890		94,810
Total	**$3,127,624**	**$179,253**	**($79,138)**	**$3,227,739**	**$182,071**	**($122,901)**	**$3,286,909**

Table 5.4b: Accumulated depreciation and amortization at San Diego *(in thousands of dollars)*

Accumulated depreciation and amortization	2024	Depreciation/ amortization	Disposals	2025	Depreciation/ amortization	Disposals	2026
Buildings and improvements	$801,307	$63,931		$865,238	$74,975		$940,213
Equipment and software	314,698	29,363	($25,589)	318,472	37,918	($81,925)	274,465
Lease assets: Buildings and improvements	48,920	10,779	(1,055)	58,644	11,086	(276)	69,454
Lease assets: Equipment	31,868	13,280	(18,297)	26,851	15,492	(13,898)	28,445
Subscription assets	26,258	13,315	(6,920)	32,653	14,604	(23,271)	23,986
Total	**$1,223,051**	**$130,668**	**($51,861)**	**$1,301,858**	**$154,075**	**($119,370)**	**$1,336,563**

Table 5.4c: Net capital assets at San Diego *(in thousands of dollars)*

Capital assets	2024	2025	2026
Capital assets, net	**$1,904,573**	**$1,925,881**	**$1,950,346**

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Tables 5.5a, **5.5b** and **5.5c** present capital asset activity at San Francisco in 2026 and 2025 on original cost, accumulated depreciation and amortization, and net capital assets, respectively.

Table 5.5a: Capital assets at original cost at San Francisco *(in thousands of dollars)*

Capital assets, at original cost	2024	Additions/ transfers	Disposals	2025	Additions/ transfers	Disposals	2026
Land	$146,327	$84,982		$231,309			$231,309
Buildings and improvements	3,607,772	472,506	($19,127)	4,061,151	$105,252	($6,654)	4,159,749
Equipment and software	1,264,535	139,401	(44,576)	1,359,360	132,435	(50,873)	1,440,922
Lease assets: Buildings and improvements	498,217	23,735	(9,213)	512,739	19,521	(1,160)	531,100
Lease assets: Equipment	22,842	2,761	(5,023)	20,580	368	(2,868)	18,080
Subscription assets	6,002	19,747		25,749	54,996		80,745
Construction in progress	1,174,582	107,310		1,281,892	505,119	(2,109)	1,784,902
Total	**$6,720,277**	**$850,442**	**($77,939)**	**$7,492,780**	**$817,691**	**($63,664)**	**$8,246,807**

Table 5.5b: Accumulated depreciation and amortization at San Francisco *(in thousands of dollars)*

Accumulated depreciation and amortization	2024	Depreciation/ amortization	Disposals	2025	Depreciation/ amortization	Disposals	2026
Buildings and improvements	$1,694,117	$117,200	($14,326)	$1,796,991	$120,639	($6,407)	$1,911,223
Equipment and software	1,037,490	78,098	(43,778)	1,071,810	86,241	(54,474)	1,103,577
Lease assets: Buildings and improvements	131,403	30,284	(12,707)	148,980	28,990	(1,039)	176,931
Lease assets: Equipment	12,646	4,199	(5,024)	11,821	3,542	(2,812)	12,551
Subscription assets	4,242	4,696		8,938	6,753		15,691
Total	**$2,879,898**	**$234,477**	**($75,835)**	**$3,038,540**	**$246,165**	**($64,732)**	**$3,219,973**

Table 5.5c: Net capital assets at San Francisco *(in thousands of dollars)*

Capital assets	2024	2025	2026
Capital assets, net	**$3,840,379**	**$4,454,240**	**$5,026,834**

Tables 5.6a, **5.6b** and **5.6c** present total capital asset activity in 2026 and 2025 on original cost, accumulated depreciation and amortization, and net capital assets, respectively.

Table 5.6a: Total capital assets at original cost *(in thousands of dollars)*

Capital assets, at original cost	2024	Additions/ transfers	Disposals	2025	Additions/ transfers	Disposals	2026
Land	$649,447	$99,922		$749,369	$8,248		$757,617
Buildings and improvements	11,644,371	1,037,106	($44,391)	12,637,086	1,838,881	($7,503)	14,468,464
Equipment and software	3,798,157	493,468	(131,987)	4,159,638	602,574	(250,107)	4,512,105
Lease assets: Land	8,809	602		9,411	3,816		13,227
Lease assets: Buildings and improvements	1,235,246	135,989	(29,669)	1,341,566	190,704	(63,254)	1,469,016
Lease assets: Equipment	251,665	63,067	(43,937)	270,795	51,467	(29,596)	292,666
Subscription assets	241,712	118,370	(40,832)	319,250	191,793	(64,818)	446,225
Construction in progress	3,703,967	684,289	(2,914)	4,385,342	(297,141)	(4,682)	4,083,519
Total	**$21,533,374**	**$2,632,813**	**($293,730)**	**$23,872,457**	**$2,590,342**	**($419,960)**	**$26,042,839**

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Table 5.6b: Total accumulated depreciation and amortization *(in thousands of dollars)*

Accumulated depreciation and amortization	2024	Depreciation/ amortization	Disposals	2025	Depreciation/ amortization	Disposals	2026
Buildings and improvements	$5,029,991	$381,773	($14,995)	$5,396,769	$418,802	($6,801)	$5,808,770
Equipment and software	2,792,242	287,051	(123,519)	2,955,774	334,463	(229,079)	3,061,158
Lease assets: Land	2,581	517		3,098	565		3,663
Lease assets: Buildings and improvements	361,233	92,756	(16,828)	437,161	92,934	(27,524)	502,571
Lease assets: Equipment	98,100	44,362	(28,636)	113,826	49,675	(27,971)	135,530
Subscription assets	107,804	73,213	(41,934)	139,083	90,858	(61,227)	168,714
Total	**$8,391,951**	**$879,672**	**($225,912)**	**$9,045,711**	**$987,297**	**($352,602)**	**$9,680,406**

Table 5.6c: Total net capital assets *(in thousands of dollars)*

Capital assets	2024	2025	2026
Capital assets, net	**$13,141,423**	**$14,826,746**	**$16,362,433**

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

The Medical Centers have beds in service in facilities that do not meet the requirements of SB 1953 and these facilities will either need to be retrofitted or replaced by 2030. Asset retirement obligations and related deferred outflows are recognized based on the existence of external laws, regulations, contracts or court judgments, together with the occurrence of an internal event that obligates the Medical Centers to perform asset retirement activities. The Medical Centers plan to demolish certain existing facilities to comply with SB 1953.

Davis reported asset retirement obligations of $3.3 million and $38.0 million in 2026 and 2025, respectively, and expenses of $16.6 million at June 30, 2026. Davis did not have any expenses to report in 2025. San Diego recognized asset retirement obligations of $56.6 million and $38.3 million and expenses of $3.8 million and $3.1 million at June 30, 2026 and 2025, respectively. San Francisco recognized asset retirement obligations of $5.7 million and expenses of $3.4 million at June 30, 2026, and expenses of $0.2 million at June 30, 2025. The estimated remaining useful life of these assets is seven years.

6. Notes Payable to Campus

The UC Irvine Medical Center has an internal loan of $68.0 million to the UCI campus for working capital purposes as of June 30, 2026. The loan bears interest at a rate of 3.0 percent and is being repaid in annual installments with the final payment due in June 2036. Accrued interest at June 30, 2026 was $1.7 million.

The UC San Diego Medical Center has an internal loan from the San Diego campus funded from the campus' allocation of proceeds from a series of General Revenue Bonds of The Regents. The loan is to fund a portion of the costs for an outpatient pavilion. The loan is due in May 2048 and bears interest at a rate of 5.0 percent. As of June 30, 2026 and 2025, balances of $84.6 million and $86.7 million, respectively, were outstanding and are reported as a note payable to the campus on the statements of net position. Interest payments of $4.3 million and $3.8 million were made on the loan during the years ended June 30, 2026 and 2025, respectively.

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7. Interest Rate Swap Agreements

As a means to lower the Medical Centers' borrowing costs when compared against fixed-rate bonds at the time of issuance, the Medical Centers entered into interest rate swap agreements in connection with their variable-rate Medical Center Pooled Revenue Bonds and certain General Revenue Bonds. Under the swap agreements, the Medical Centers pay the swap counterparty a fixed interest rate payment and receive a variable-rate interest payment to effectively change the variable-rate bonds to synthetic fixed-rate bonds. For one of the hedging derivatives, the notional amount of the swap matches the principal amount of the variable-rate Medical Center Pooled Revenue Bonds, and the swap agreement contains scheduled reductions to outstanding notional amounts that match scheduled reductions in the variable-rate bonds. Two of the UCLA Medical Center interest rate swaps are partial hedges. The first has a swap notional amount of $25.8 million, which is less than the amount of bonds outstanding of $31.3 million. The other partial hedge has a swap notional amount of $134.6 million, while the amount of the bonds outstanding is $134.8 million. The Medical Centers entered into two interest rate swaps, which hedge variable-rate General Revenue Bonds 2023 Series BP that refunded the Medical Center Pooled Revenue Bonds 2013 Series J in 2023. The notional amount of the swap matches the principal amount of the variable-rate General Revenue Bonds.

The UCLA Medical Center commenced hedge accounting for certain interest rate swap agreements either upon refinancing the variable-rate debt or amending the interest rate swap agreements. At the time of the transactions, the fixed rate on each of the interest rate swaps was off the market such that the UCLA Medical Center received an upfront payment. The swaps consist of an at market interest rate swap derivative instrument and a borrowing, represented by the market value of the swap at the time of the transaction. To commence hedge accounting, an additional borrowing for the off market interest rate swap was recognized. The unamortized amount of the borrowing was $57.2 million and $60.2 million at June 30, 2026 and 2025, respectively.

Tables 7.1a and **7.1b** present the notional amounts, fair value of the interest rate swaps outstanding and the changes in fair value at June 30 in 2026 and 2025, respectively.

Table 7.1a: Notional amount and fair value at June 30, 2026 *(in thousands of dollars)*

Location	Notional amount	Fair value classification	Fair value	Change in fair value classification	Change in fair value
Davis	$3,925	Other noncurrent assets	$726	Deferred inflows	($30)
Irvine	755	Other noncurrent assets	173	Deferred inflows	(11)
Los Angeles	197,000	Other noncurrent liabilities	(11,734)	Deferred outflows	4,529
San Diego	290,300	Other noncurrent assets	55,819	Deferred inflows	(2,621)
San Francisco	31,930	Other noncurrent liabilities	(627)	Deferred outflows	590

Table 7.1b: Notional amount and fair value at June 30, 2025 *(in thousands of dollars)*

Location	Notional amount	Fair value classification	Fair value	Change in fair value classification	Change in fair value
Davis	$3,945	Other noncurrent assets	$756	Deferred inflows	($39)
Irvine	755	Other noncurrent assets	184	Deferred inflows	1
Los Angeles	203,110	Other noncurrent liabilities	(16,263)	Deferred outflows	(3,104)
San Diego	292,150	Other noncurrent assets	58,440	Deferred inflows	(2,255)
San Francisco	36,545	Other noncurrent liabilities	(1,217)	Deferred outflows	(322)

Because interest rates have changed since the execution of the swaps, the estimated fair value of the swaps has been determined using quoted market prices when available or a forecast of expected discounted future net cash flows. The swaps are classified as Level 2 on the fair value hierarchy. The fair value of the interest rate swaps is the estimated amount the Medical Centers would have either (paid) or received if the swap agreements were terminated on June 30, 2026 or 2025.

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Table 7.2 presents additional terms with respect to the outstanding interest rate swaps that are classified as hedging derivatives, along with the credit rating of the counterparty.

Table 7.2: Hedging derivatives *(in thousands of dollars)*

Terms	Counterparty credit rating	Medical Center	Notional amount 2026	Notional amount 2025	Effective date	Maturity date	Cash paid or received
Pay fixed 0.926% and 1.238%; receive 70% of Federal Funds Rate - H.15	A2/A+ A2/A	Davis	$3,925	$3,945	2023	2048	None
		Irvine	755	755	2023	2048	None
		Los Angeles	36,620	38,890	2023	2048	None
		San Diego	290,300	292,150	2023	2048	None
		San Francisco	525	525	2023	2048	None
Pay fixed 4.550% to 4.741%; receive 67% of Federal Funds Rate + 0.760% to 0.902%	Aa2/A+	Los Angeles	160,380	164,220	2020	2030 to 2047	None
Pay fixed 3.5897%; receive 58% of Federal Funds Rate + 0.564%	Aa2/A+	San Francisco	31,405	36,020	2020	2032	None

Interest Rate Swap Risk Factors

Credit risk

The Medical Centers could be exposed to credit risk if the counterparties to the swap contracts are unable to meet the terms of the contracts. Contracts with positive fair values are exposed to credit risk. The Medical Centers face a maximum possible loss equivalent to the amount of the swap contract's fair value, less any collateral held by the Medical Centers provided by the counterparties. Swap contracts with negative fair values are not exposed to credit risk. Although the Medical Centers have entered into the interest rate swap contracts with creditworthy financial institutions, there is credit risk for losses in the event of non-performance by counterparties or unfavorable interest rate movements.

Certain UCLA Medical Center swaps and the swaps with the counterparties rated A2/A+ and A2/A have collateral requirements. Depending on the fair value and the counterparty credit rating for certain of the UCLA Medical Center swaps, the University may be entitled to receive collateral to the extent the positive fair value exceeds $20.0 million at June 30, 2026. At June 30, 2026 and 2025, there was no collateral required. Depending on the fair value and the counterparty credit ratings for the swaps that are currently rated A2/A+ and A2/A, the Medical Centers may be entitled to receive collateral based on a positive value threshold. At June 30, 2026 and 2025, there was no collateral received.

Interest rate risk

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

Basis risk

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 Medical Centers to basis risk whenever the interest rates on the bonds are reset. Interest rates on the bonds are tax-exempt, while the basis of the variable receipt on the interest rate swap is taxable. Tax-exempt interest rates can change without a corresponding change in the Federal Funds rate due to factors affecting the tax-exempt market, which do not have a similar effect on the taxable market.

Termination risk

There is termination risk for interest rate swaps associated with variable-rate bonds in the event of nonperformance by counterparties in an adverse market resulting in cancellation of the synthetic interest rate and returning the interest rate payments to the variable interest rates on the bonds. For the interest rate swap held by the UCSF Medical Center expiring in 2032, 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 certain swaps held by the UCLA Medical Center, the termination threshold is reached when the credit quality rating for the underlying Medical Center Pooled Revenue Bonds falls below Baa3/BBB-, or the interest rate swap counterparty's rating falls below Baa2 or BBB. For the swaps with the counterparties 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 Medical Centers may also owe a termination payment if there is a realized loss based on the fair value of each interest rate swap.

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8. Debt

Tables 8.1a and **8.1b** present the Medical Centers' outstanding debt at June 30, 2026 and 2025, respectively.

Bond series followed by "*" are variable rate bonds.

Table 8.1a: Outstanding debt at June 30, 2026 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
University of California Medical Centers pooled revenue bonds:						
2007 Series B*					$31,405	$31,405
2009 Series F Build America Bonds		$147,505	$115,090	$90,580	15,755	368,930
2010 Series H Build America Bonds					524,950	524,950
2013 Series K*			31,300			31,300
2016 Series L	$9,155	5,690	11,980	3,700	8,515	39,040
2016 Series M	27,305	28,335	23,740		17,030	96,410
2020 Series N	373,701	233,970	457,898	332,767	401,665	1,800,001
2020 Series O*			134,805			134,805
2022 Series P	570,010	475,010	171,005		683,975	1,900,000
2022 Series Q	210,000	175,010	463,000		251,990	1,100,000
University of California general revenue bonds:						
2017 Series AY	3,795	755	17,065	160,870		182,485
2023 Series BP*	3,925	755	36,620	290,300	525	332,125
2024 Series BX		341,730				341,730
2024 Series BY*		250,000				250,000
2025 Series CC	797,830	87,845				885,675
2026 Series CF	122,970	223,560	199,710	240,395	166,180	952,815
2026 Series CH					692,575	692,575
Financing obligations	52,611			60,659	1,404	114,674
Subscription-based information technology arrangements	27,739	64,758	43,603	37,345	10,684	184,129
Leases	358,171	299,375	117,305	94,304	421,832	1,290,987
Other borrowings	157,832	317,063	57,155	105,728		637,778
Total outstanding debt	**2,715,044**	**2,651,361**	**1,880,276**	**1,416,648**	**3,228,485**	**11,891,814**
Unamortized bond premium	116,347	81,563	39,972	53,042	173,974	464,898
Total debt	**2,831,391**	**2,732,924**	**1,920,248**	**1,469,690**	**3,402,459**	**12,356,712**
Less: Current portion	(238,553)	(296,447)	(59,688)	(74,703)	(70,133)	(739,524)
Noncurrent portion of debt	**$2,592,838**	**$2,436,477**	**$1,860,560**	**$1,394,987**	**$3,332,326**	**$11,617,188**

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Table 8.1b: Outstanding debt at June 30, 2025 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
University of California Medical Center pooled revenue bonds:						
2007 Series B*					$36,020	$36,020
2009 Series F Build America Bonds		$152,140	$128,900	$106,815	17,645	405,500
2010 Series H Build America Bonds					624,950	624,950
2013 Series K*			31,300			31,300
2016 Series L	$151,480	102,460	226,580	65,355	102,975	648,850
2016 Series M	31,030	29,335	26,130		17,245	103,740
2020 Series N	373,701	233,970	457,898	332,767	401,665	1,800,001
2020 Series O*			138,645			138,645
2022 Series P	570,010	475,010	171,005		683,975	1,900,000
2022 Series Q	210,000	175,010	463,000		251,990	1,100,000
University of California general revenue bonds:						
2017 Series AY	4,050	1,110	18,215	172,030		195,405
2023 Series BP*	3,945	755	38,890	292,150	525	336,265
2024 Series BT				200,430		200,430
2024 Series BX		498,700				498,700
2024 Series BY*		250,000				250,000
2025 Series CC	797,830	87,845				885,675
Financing obligations	41,090			76,935	1,111	119,136
Subscription-based information technology arrangements	52,875	33,268	31,215	17,523	12,271	147,152
Leases	381,016	189,551	121,148	86,512	426,975	1,205,202
Other borrowings	43,981	60,526	60,164	74,611		239,282
Total outstanding debt	**2,661,008**	**2,289,680**	**1,913,090**	**1,425,128**	**2,577,347**	**10,866,253**
Unamortized bond premium	125,635	74,675	37,657	29,147	43,314	310,428
Total debt	**2,786,643**	**2,364,355**	**1,950,747**	**1,454,275**	**2,620,661**	**11,176,681**
Less: Current portion	(125,548)	(270,020)	(53,538)	(271,707)	(53,842)	(774,655)
Noncurrent portion of debt	**$2,661,095**	**$2,094,335**	**$1,897,209**	**$1,182,568**	**$2,566,819**	**$10,402,026**

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Table 8.2 presents significant terms of outstanding debt.

Bond series followed by "*" are variable rate bonds.

Table 8.2: Significant terms of outstanding debt

Description	Interest rate	Interest payment frequency	Principal payment terms
University of California Medical Center pooled revenue bonds:			
2007 Series B*	2.50% to 2.70%	Monthly	Beginning 2027 through 2032
2009 Series F Build America Bonds	4.41%, after net 33.005% federal subsidy	Semi-annually	Beginning 2030 through 2049
2010 Series H Build America Bonds	4.29% to 4.39%, after net 33.005% federal subsidy	Semi-annually	Beginning 2031 through 2048
2013 Series K*	2.70%	Monthly	Beginning 2045 through 2047
2016 Series L	3.00%	Semi-annually	Beginning 2042 through 2042
2016 Series M	2.56% to 3.49%	Semi-annually	Beginning 2027 through 2047
2020 Series N	3.01% to 3.71%	Semi-annually	Beginning 2050 through 2120
2020 Series O*	2.50% to 2.70%	Monthly	Beginning 2027 through 2045
2022 Series P	3.50% to 5.00%	Semi-annually	Beginning 2033 through 2054
2022 Series Q	4.13% to 4.56%	Semi-annually	Beginning 2032 through 2053
University of California general revenue bonds:			
2017 Series AY	3.00% to 5.00%	Semi-annually	Beginning 2027 through 2041
2023 Series BP*	2.25% to 2.42%	Monthly	Beginning 2027 through 2048
2024 Series BX	5.00%	Semi-annually	Beginning 2027 through 2031
2024 Series BY*	2.23% to 2.25%	Monthly	Beginning 2054 through 2054
2025 Series CC	4.00% to 5.25%	Semi-annually	Beginning 2029 through 2055
2026 Series CF	5.00% to 5.25%	Semi-annually	Beginning 2027 through 2047
2026 Series CH	5.00% to 5.50%	Semi-annually	Beginning 2031 through 2043
Financing obligations, Subscription-based information technology arrangements (SBITAs primarily for computer and medical equipment, collateralized by underlying equipment) and leases	Fixed interest rates of 1.70% to 9.50%	Monthly, quarterly, annually	Beginning 2027 through 2096

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The activity with respect to current and noncurrent debt is presented in **Tables 8.3a** through **8.8b**.

Tables 8.3a and **8.3b** present debt activity at Davis in 2026 and 2025, respectively.

Table 8.3a: Debt activity at Davis in 2026 *(in thousands of dollars)*

Davis	Revenue bonds	Financing obligations, SBITAs and leases	Other Borrowings	Total
Long-term debt at June 30, 2025	$2,267,681	$474,981	$43,981	$2,786,643
New obligations	126,620	33,126	113,851	273,597
Bond premium, net	18,371			18,371
Refinancing or prepayment of outstanding debt	(163,092)			(163,092)
Principal payments, modifications and debt retirements	(7,650)	(69,586)		(77,236)
Amortization of bond premium	(6,892)			(6,892)
Long-term debt at June 30, 2026	**2,235,038**	**438,521**	**157,832**	**2,831,391**
Less: Current portion	(25,754)	(54,967)	(157,832)	(238,553)
Noncurrent portion of long-term debt at June 30, 2026	**$2,209,284**	**$383,554**		**$2,592,838**

Table 8.3b: Debt activity at Davis in 2025 *(in thousands of dollars)*

Davis	Revenue bonds	Financing obligations, SBITAs and leases	Other Borrowings	Total
Long-term debt at June 30, 2024	$1,416,374	$366,552		$1,782,926
New obligations	797,830	155,356	$45,554	998,740
Bond premium, net	76,804			76,804
Principal payments and debt retirements	(18,710)	(46,927)	(1,573)	(67,210)
Amortization of bond premium	(4,617)			(4,617)
Long-term debt at June 30, 2025	**2,267,681**	**474,981**	**43,981**	**2,786,643**
Less: Current portion	(25,775)	(55,792)	(43,981)	(125,548)
Noncurrent portion of long-term debt at June 30, 2025	**$2,241,906**	**$419,189**		**$2,661,095**

Tables 8.4a and **8.4b** present debt at Irvine in 2026 and 2025, respectively.

Table 8.4a: Debt activity at Irvine in 2026 *(in thousands of dollars)*

Irvine	Revenue bonds	Financing obligations, SBITAs and leases	Other Borrowings	Total
Long-term debt at June 30, 2025	$2,081,010	$222,819	$60,526	$2,364,355
New obligations	226,495	201,130	256,537	684,162
Bond premium, net	22,790			22,790
Refinancing or prepayment of outstanding debt	(258,375)	(5,824)		(264,199)
Principal payments and debt retirements	(4,290)	(53,992)		(58,282)
Amortization of bond premium	(15,902)			(15,902)
Long-term debt at June 30, 2026	**2,051,728**	**364,133**	**317,063**	**2,732,924**
Less: Current portion	(57,976)	(44,408)	(194,063)	(296,447)
Noncurrent portion of long-term debt at June 30, 2026	**$1,993,752**	**$319,725**	**$123,000**	**$2,436,477**

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Table 8.4b: Debt activity at Irvine in 2025 *(in thousands of dollars)*

Irvine	Revenue bonds	Financing obligations, SBITAs and leases	Other Borrowings	Total
Long-term debt at June 30, 2024	$1,212,138	$221,800	$747,074	$2,181,012
New obligations	836,545	43,312	$63,312	943,169
Bond premium, net	47,746			47,746
Refinancing or prepayment of outstanding debt		(4,824)	(749,860)	(754,684)
Principal payments and debt retirements	(5,440)	(37,469)		(42,909)
Amortization of bond premium	(9,979)			(9,979)
Long-term debt at June 30, 2025	**2,081,010**	**222,819**	**60,526**	**2,364,355**
Less: Current portion	(173,495)	(35,999)	(60,526)	(270,020)
Noncurrent portion of long-term debt at June 30, 2025	**$1,907,515**	**$186,820**		**$2,094,335**

Tables 8.5a and **8.5b** present debt at Los Angeles in 2026 and 2025, respectively.

Table 8.5a: Debt activity at Los Angeles in 2026 *(in thousands of dollars)*

Los Angeles	Revenue bonds	Financing obligations, SBITAs and leases	Other borrowings	Total
Long-term debt at June 30, 2025	$1,738,220	$152,363	$60,164	$1,950,747
New obligations	203,215	52,863		256,078
Bond premium, net	29,999			29,999
Refinancing or prepayment of outstanding debt	(253,064)			(253,064)
Principal payments and debt retirements	(13,155)	(44,318)		(57,473)
Amortization of bond premium	(3,030)		(3,009)	(6,039)
Long-term debt at June 30, 2026	**1,702,185**	**160,908**	**57,155**	**1,920,248**
Less: Current portion	(20,000)	(36,680)	(3,008)	(59,688)
Noncurrent portion of long-term debt at June 30, 2026	**$1,682,185**	**$124,228**	**$54,147**	**$1,860,560**

Table 8.5b: Debt activity at Los Angeles in 2025 *(in thousands of dollars)*

Los Angeles	Revenue bonds	Financing obligations, SBITAs and leases	Other borrowings	Total
Long-term debt at June 30, 2024	$1,758,250	$147,700	$63,172	$1,969,122
New obligations		43,713		43,713
Principal payments and debt retirements	(17,275)	(39,050)		(56,325)
Amortization of bond premium	(2,755)		(3,008)	(5,763)
Long-term debt at June 30, 2025	**1,738,220**	**152,363**	**60,164**	**1,950,747**
Less: Current portion	(19,723)	(30,807)	(3,008)	(53,538)
Noncurrent portion of long-term debt at June 30, 2025	**$1,718,497**	**$121,556**	**$57,156**	**$1,897,209**

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Tables **8.6a** and **8.6b** present debt at San Diego in 2026 and 2025, respectively.

Table 8.6a: Debt activity at San Diego in 2026 *(in thousands of dollars)*

San Diego	Revenue bonds	Financing obligations, SBITAs and leases	Other Borrowings	Total
Long-term debt at June 30, 2025	$1,198,694	$180,970	$74,611	$1,454,275
New obligations	244,510	70,925	31,117	346,552
Bond premium, net	40,045			40,045
Refinancing or prepayment of outstanding debt	(287,598)	(1,337)		(288,935)
Principal payments and debt retirements	(17,125)	(58,250)		(75,375)
Amortization of bond premium	(6,872)			(6,872)
Long-term debt at June 30, 2026	**1,171,654**	**192,308**	**105,728**	**1,469,690**
Less: Current portion	(24,491)	(50,212)		(74,703)
Noncurrent portion of long-term debt at June 30, 2026	**$1,147,163**	**$142,096**	**$105,728**	**$1,394,987**

Table 8.6b: Debt activity at San Diego in 2025 *(in thousands of dollars)*

San Diego	Revenue bonds	Financing obligations, SBITAs and leases	Other Borrowings	Total
Long-term debt at June 30, 2024	$1,223,648	$129,396	$40,000	$1,393,044
New obligations		98,537	34,611	133,148
Refinancing or prepayment of outstanding debt		(1,494)		(1,494)
Principal payments and debt retirements	(17,730)	(45,469)		(63,199)
Amortization of bond premium	(7,224)			(7,224)
Long-term debt at June 30, 2025	**1,198,694**	**180,970**	**74,611**	**1,454,275**
Less: Current portion	(226,120)	(45,587)		(271,707)
Noncurrent portion of long-term debt at June 30, 2025	**$972,574**	**$135,383**	**$74,611**	**$1,182,568**

Tables 8.7a and **8.7b** present debt at San Francisco in 2026 and 2025, respectively.

Table 8.7a: Debt activity at San Francisco in 2026 *(in thousands of dollars)*

San Francisco	Revenue bonds	Financing obligations, SBITAs and leases	Other Borrowings	Total
Long-term debt at June 30, 2025	$2,180,304	$440,357		$2,620,661
New obligations	877,710	24,619	$275,008	1,177,337
Bond premium, net	144,297			144,297
Refinancing or prepayment of outstanding debt	(207,047)	(1,965)	(275,008)	(484,020)
Principal payments and debt retirements	(23,785)	(29,091)		(52,876)
Amortization of bond premium	(2,940)			(2,940)
Long-term debt at June 30, 2026	**2,968,539**	**433,920**		**3,402,459**
Less: Current portion	(36,540)	(33,593)		(70,133)
Noncurrent portion of long-term debt at June 30, 2026	**$2,931,999**	**$400,327**		**$3,332,326**

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Table 8.7b: Debt activity at San Francisco in 2025 *(in thousands of dollars)*

San Francisco	Revenue bonds	Financing obligations, SBITAs and leases	Total
Long-term debt at June 30, 2024	$2,204,353	$427,167	$2,631,520
New obligations		44,209	44,209
Principal payments and debt retirements	(21,764)	(31,019)	(52,783)
Amortization of bond premium	(2,285)		(2,285)
Long-term debt at June 30, 2025	**2,180,304**	**440,357**	**2,620,661**
Less: Current portion	(24,865)	(28,977)	(53,842)
Noncurrent portion of long-term debt at June 30, 2025	**$2,155,439**	**$411,380**	**$2,566,819**

Tables 8.8a and **8.8b** present total debt activity in 2026 and 2025, respectively.

Table 8.8a: Total debt activity in 2026 *(in thousands of dollars)*

Total	Revenue bonds	Financing obligations, SBITAs and leases	Other borrowings	Total
Long-term debt at June 30, 2025	$9,465,909	$1,471,490	$239,282	$11,176,681
New obligations	1,678,550	382,663	676,513	2,737,726
Bond premium, net	255,502			255,502
Refinancing or prepayment of outstanding debt	(1,169,176)	(9,126)	(275,008)	(1,453,310)
Principal payments and debt retirements	(66,005)	(255,237)		(321,242)
Amortization of bond premium	(35,636)		(3,009)	(38,645)
Long-term debt at June 30, 2026	**10,129,144**	**1,589,790**	**637,778**	**12,356,712**
Less: Current portion	(164,761)	(219,860)	(354,903)	(739,524)
Noncurrent portion of long-term debt at June 30, 2026	**$9,964,383**	**$1,369,930**	**$282,875**	**$11,617,188**

Table 8.8b: Total debt activity in 2025 *(in thousands of dollars)*

Total	Revenue bonds	Financing obligations, SBITAs and leases	Other borrowings	Total
Long-term debt at June 30, 2024	$7,814,763	$1,292,615	$850,246	$9,957,624
New obligations	1,634,375	385,127	143,477	2,162,979
Bond premium, net	124,550			124,550
Refinancing or prepayment of outstanding debt		(6,318)	(749,860)	(756,178)
Principal payments and debt retirements	(80,919)	(199,934)	(1,573)	(282,426)
Amortization of bond premium	(26,860)		(3,008)	(29,868)
Long-term debt at June 30, 2025	**9,465,909**	**1,471,490**	**239,282**	**11,176,681**
Less: Current portion	(469,978)	(197,162)	(107,515)	(774,655)
Noncurrent portion of long-term debt at June 30, 2025	**$8,995,931**	**$1,274,328**	**$131,767**	**$10,402,026**

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In June 2026, General Revenue bonds 2026 Series CH totaling $692.6 million were issued to finance the acquisition and construction of certain facilities at UCSF Medical Center. The fixed-rate tax-exempt bonds mature in 2043 and have a stated weighted average interest rate of 5.3 percent. The deferred premium of $124.8 million will be amortized as a reduction to interest expense over the term of the bonds.

In March 2026, General Revenue bonds 2026 Series CF totaling $986.0 million were issued to refinance the acquisition, construction, improvement and renovation of certain facilities at the University's Medical Centers. The fixed-rate tax-exempt bonds mature in various dates through 2047 and have a stated weighted average interest rate of 5.1 percent. The deferred premium of $145.0 million will be amortized as a reduction to interest expense over the term of the bonds.

In March 2025, General Revenue bonds 2025 Series CC totaling $885.7 million were issued to finance the acquisition and construction of certain facilities at UC Davis Medical Center and UC Irvine Medical Center, for $797.8 million and $87.8 million, respectively. The fixed-rate tax-exempt bonds mature in 2055 and have a stated weighted average interest rate of 4.9 percent. The deferred premium of $85.7 million will be amortized as a reduction to interest expense over the term of the bonds.

In August 2024, General Revenue bonds 2024 Series BX and 2024 Series BY totaling $748.7 million were issued to finance the acquisition and construction of certain facilities at UC Irvine Medical Center. The fixed-rate tax-exempt bonds 2024 Series BX of $498.7 million mature in 2031 and have a stated weighted average interest rate of 5.0 percent. The interest rate will reset weekly for the 2024 Series BY variable rate demand bonds of $250.0 million and mature in 2054. The deferred premium of $38.9 million will be amortized as a reduction to interest expense over the term of the bonds.

The Medical Centers' Pooled Revenue Bonds were issued to finance capital projects and other needs at the University's Medical Centers and are collateralized by joint and several pledges of certain operating and nonoperating revenues, as defined in the indentures, of all five of the University's Medical Centers. The Medical Center Pooled Revenue Bond Indenture requires the Medical Centers to set rates, charges and fees each year sufficient for the Medical Centers' total operating and nonoperating revenues to pay for the annual principal and interest on the bonds and sets forth certain other covenants. Pledged revenues for the Medical Centers for the years ended June 30, 2026 and 2025 were $28.4 billion and $26.2 billion, respectively.

The Medical Center Pooled Revenue Bonds 2007 Series B, 2013 Series K, 2020 Series O, and General Revenue Bonds 2023 Series BP and 2024 Series BY totaling $31.4 million, $31.3 million, $134.8 million, $332.1 million and $250.0 million at June 30, 2026, respectively, are variable-rate demand obligations subject to daily or weekly remarketing. The Medical Centers have access to the hospital working capital program from the University described below for any amounts that would be obligated for repayment to the bondholders.

The Medical Centers' revenues are not pledged for any purpose other than those under the indentures for the Medical Center Pooled Revenue Bonds. The pledge of the Medical Centers' revenues under the Medical Center Pooled Revenue Bonds is on parity with interest rate swap agreements. The Medical Centers' revenues are not pledged to the General Revenue Bonds 2017 Series AY, 2024 Series BT, 2024 Series BX, 2025 Series CC, 2026 Series CF, 2026 Series CH and variable-rate General Revenue Bonds 2023 Series BP and 2024 Series BY, but the payments are obligations of the Medical Centers.

The University's internal working capital program allows each Medical Center to receive advances for working capital needs, subject to a limit of 60 percent of its accounts receivable. The advances are not secured by a pledge of revenues. At June 30, 2026, Irvine had outstanding advances of $255.7 million and San Diego had $60.4 million. At June 30, 2025, Irvine had no outstanding advances and San Diego had $57.8 million. The advances are reported as other borrowings within debt on the statements of net position. The University may cancel the program or change its terms at its sole discretion. The University has historically provided working capital advances to the Medical Centers under formal or informal programs.

The University has available a $4.0 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 University may also utilize lines of credit from external banks for the purpose of providing additional liquidity support for the commercial paper program. At June 30, 2026 and 2025, Irvine utilized $61.4 million and $60.5 million in line of credit, respectively. This is reported as other borrowings within debt on the statements of net position.

At June 30, 2026, CHRCO had no amount outstanding under its revolving credit facility for $25.0 million. The interest rate on the credit facility was 4.7 percent at June 30, 2026 and the facility expires on August 31, 2027.

At June 30, 2026, UC Davis Medical Center had no outstanding obligation under a financial guarantee agreement with a private hospital that guarantees repayment of a loan of up to 25.0 percent of the principal amount of the loan, not to exceed $20.0 million. The obligation bears interest at 7.25 percent at June 30, 2026 and the financial guarantee expires on November 10, 2036.

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Future Debt Service and Interest Rate Swaps

Future debt service payments for the Medical Centers' fixed- and variable-rate debt for each of the five fiscal years subsequent to June 30, 2026, and thereafter, are presented in **Tables 8.9** through **8.14**.

Although not a prediction by the Medical Centers of the future interest rate cost of the variable-rate bonds or the impact of the interest rate swaps, these amounts assume that current interest rates on variable-rate bonds and the current reference rates of the interest rate swaps will remain the same. As these rates vary, variable-rate bond interest payments and net interest rate swap payments will change.

Table 8.9: Future debt service payments at Davis at year ending June 30 *(in thousands of dollars)*

Davis	Revenue bonds	Financing obligations	Total payments	Principal	Interest
2027	$113,513	$13,553	$127,066	$31,235	$95,831
2028	99,015	13,553	112,568	17,657	94,911
2029	103,565	13,553	117,118	22,797	94,321
2030	103,567	11,708	115,275	21,789	93,486
2031	103,562	4,241	107,803	15,023	92,780
2032 to 2036	608,450		608,450	158,550	449,900
2037 to 2041	677,688		677,688	283,270	394,418
2042 to 2046	696,404		696,404	379,435	316,969
2047 to 2051	796,686		796,686	580,518	216,168
2052 to 2056	503,439		503,439	422,275	81,164
Thereafter	409,463		409,463	238,753	170,710
Total future debt service	**4,215,352**	**56,608**	**4,271,960**	**$2,171,302**	**$2,100,658**
Less: Interest component of future payments	(2,096,661)	(3,997)	(2,100,658)		
Principal portion of future payments	2,118,691	52,611	2,171,302		
Adjusted by:					
Unamortized bond premium	116,347		116,347		
Other borrowings	157,832		157,832		
Total debt	**$2,392,870**	**$52,611**	**$2,445,481**		

Table 8.10: Future debt service payments at Irvine at year ending June 30 *(in thousands of dollars)*

Irvine	Revenue bonds	Principal	Interest
2027	$134,748	$48,285	$86,463
2028	113,334	29,240	84,094
2029	310,444	227,765	82,679
2030	83,889	12,480	71,409
2031	150,819	79,960	70,859
2032 to 2036	451,666	129,220	322,446
2037 to 2041	499,452	220,035	279,417
2042 to 2046	495,113	287,845	207,268
2047 to 2051	478,877	339,114	139,763
2052 to 2056	503,825	446,740	57,085
Thereafter	256,360	149,481	106,879
Total future debt service	**3,478,527**	**$1,970,165**	**$1,508,362**
Less: Interest component of future payments	(1,508,362)		
Principal portion of future payments	1,970,165		
Adjusted by:			
Unamortized bond premium	81,563		
Other borrowings	317,063		
Total debt	**$2,368,791**		

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Table 8.11: Future debt service payments at Los Angeles at year ending June 30 *(in thousands of dollars)*

Los Angeles	Revenue bonds	Principal	Interest
2027	$83,280	$16,715	$66,565
2028	83,363	17,415	65,948
2029	83,372	18,145	65,227
2030	83,486	18,885	64,601
2031	83,493	19,770	63,723
2032 to 2036	769,199	532,700	236,499
2037 to 2041	360,892	176,000	184,892
2042 to 2046	361,389	217,735	143,654
2047 to 2051	385,153	289,117	96,036
2052 to 2056	117,128	63,185	53,943
Thereafter	501,718	292,546	209,172
Total future debt service	**2,912,473**	**$1,662,213**	**$1,250,260**
Less: Interest component of future payments	(1,250,260)		
Principal portion of future payments	1,662,213		
Adjusted by:			
Unamortized bond premium	39,972		
Other borrowings	57,155		
Total debt	**$1,759,340**		

Table 8.12: Future debt service payments at San Diego at year ending June 30 *(in thousands of dollars)*

San Diego	Revenue bonds	Financing obligations	Total payments	Principal	Interest
2027	$62,545	$15,340	$77,885	$32,597	$45,288
2028	65,426	16,918	82,344	38,351	43,993
2029	65,383	16,918	82,301	40,022	42,279
2030	65,421	12,248	77,669	36,989	40,680
2031	65,309	2,488	67,797	28,669	39,128
2032 to 2036	324,298	1,604	325,902	151,006	174,896
2037 to 2041	363,453		363,453	228,035	135,418
2042 to 2046	312,413		312,413	235,665	76,748
2047 to 2051	227,480		227,480	175,336	52,144
2052 to 2056	35,859		35,859		35,859
Thereafter	364,612		364,612	212,601	152,011
Total future debt service	**1,952,199**	**65,516**	**2,017,715**	**$1,179,271**	**$838,444**
Less: Interest component of future payments	(833,587)	(4,857)	(838,444)		
Principal portion of future payments	1,118,612	60,659	1,179,271		
Adjusted by:					
Unamortized bond premium	53,042		53,042		
Other borrowings	105,728		105,728		
Total debt	**$1,277,382**	**$60,659**	**$1,338,041**		

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Table 8.13: Future debt service payments at San Francisco at year ending June 30 *(in thousands of dollars)*

San Francisco	Revenue bonds	Financing obligations	Total payments	Principal	Interest
2027	$157,528	$319	$157,847	$23,122	$134,725
2028	160,198	324	160,522	24,211	136,311
2029	160,208	289	160,497	25,307	135,190
2030	160,243	335	160,578	26,534	134,044
2031	174,968	94	175,062	41,966	133,096
2032 to 2036	936,425	413	936,838	311,954	624,884
2037 to 2041	1,207,396		1,207,396	731,100	476,296
2042 to 2046	892,321		892,321	593,075	299,246
2047 to 2051	669,818		669,818	509,346	160,472
2052 to 2056	314,415		314,415	252,735	61,680
Thereafter	440,103		440,103	256,619	183,484
Total future debt service	**5,273,623**	**1,774**	**5,275,397**	**$2,795,969**	**$2,479,428**
Less: Interest component of future payments	(2,479,058)	(370)	(2,479,428)		
Principal portion of future payments	2,794,565	1,404	2,795,969		
Adjusted by:					
Unamortized bond premium	173,974		173,974		
Total debt	**$2,968,539**	**$1,404**	**$2,969,943**		

Table 8.14: Total future debt service payments at year ending June 30 *(in thousands of dollars)*

Total Medical Centers	Revenue bonds	Financing obligations	Total payments	Principal	Interest
2027	$551,614	$29,212	$580,826	$151,954	$428,872
2028	521,336	30,795	552,131	126,874	425,257
2029	722,972	30,760	753,732	334,036	419,696
2030	496,606	24,291	520,897	116,677	404,220
2031	578,151	6,823	584,974	185,388	399,586
2032 to 2036	3,090,038	2,017	3,092,055	1,283,430	1,808,625
2037 to 2041	3,108,881		3,108,881	1,638,440	1,470,441
2042 to 2046	2,757,640		2,757,640	1,713,755	1,043,885
2047 to 2051	2,558,014		2,558,014	1,893,431	664,583
2052 to 2056	1,474,666		1,474,666	1,184,935	289,731
Thereafter	1,972,256		1,972,256	1,150,000	822,256
Total future debt service	**17,832,174**	**123,898**	**17,956,072**	**$9,778,920**	**$8,177,152**
Less: Interest component of future payments	(8,167,928)	(9,224)	(8,177,152)		
Principal portion of future payments	9,664,246	114,674	9,778,920		
Adjusted by:					
Unamortized bond premium	464,898		464,898		
Other borrowings	637,778		637,778		
Total debt	**$10,766,922**	**$114,674**	**$10,881,596**		

Additional information on the revenue bonds can be obtained from the 2025–26 annual financial report of the University.

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For the Medical Centers' cash flow hedges, future debt service payments for the Medical Centers' variable-rate debt and net receipts or payments on the associated hedging derivative instruments for each of the five fiscal years subsequent to June 30, 2026, and thereafter are presented in **Tables 8.15** through **8.20**.

Although not a prediction by the Medical Centers of the future interest cost of the variable-rate bonds or the impact of the interest rate swaps, using rates at June 30, 2026, combined debt service requirements of the variable-rate debt and net swap payments are as follows.

Table 8.15: Future debt service payments, interest rate swaps at Davis at year ending June 30 *(in thousands of dollars)*

Davis	Variable-rate bond principal	Variable-rate bond interest	Interest rate swap, net	Total
2027	$20	$91	($61)	$50
2028	20	91	(61)	50
2029	20	91	(60)	51
2030	20	90	(60)	50
2031	20	90	(60)	50
2032 to 2036	100	442	(293)	249
2037 to 2041	2,020	361	(242)	2,139
2042 to 2046	1,030	114	(75)	1,069
2047 to 2051	675	15	(9)	681
Total	**$3,925**	**$1,385**	**($921)**	**$4,389**

Table 8.16: Future debt service payments, interest rate swaps at Irvine at year ending June 30 *(in thousands of dollars)*

Irvine	Variable-rate bond principal	Variable-rate bond interest	Interest rate swap, net	Total
2027		$18	($11)	$7
2028		18	(11)	7
2029		18	(11)	7
2030		18	(11)	7
2031		18	(11)	7
2032 to 2036		88	(55)	33
2037 to 2041		88	(55)	33
2042 to 2046		88	(55)	33
2047 to 2051	$755	17	(10)	762
Total	**$755**	**$371**	**($230)**	**$896**

Table 8.17: Future debt service payments, interest rate swaps at Los Angeles at year ending June 30 *(in thousands of dollars)*

Los Angeles	Variable-rate bond principal	Variable-rate bond interest	Interest rate swap, net	Total
2027	$6,315	$5,150	$1,670	$13,135
2028	6,550	5,049	1,642	13,241
2029	6,755	4,866	1,637	13,258
2030	6,995	4,710	1,602	13,307
2031	4,935	4,530	1,584	11,049
2032 to 2036	28,240	20,622	6,860	55,722
2037 to 2041	52,115	16,168	4,936	73,219
2042 to 2046	71,035	7,819	1,976	80,830
2047 to 2051	19,785	551	(108)	20,228
Total	**$202,725**	**$69,465**	**$21,799**	**$293,989**

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Table 8.18: Future debt service payments, interest rate swaps at San Diego at year ending June 30 *(in thousands of dollars)*

San Diego	Variable-rate bond principal	Variable-rate bond interest	Interest rate swap, net	Total
2027	$1,875	$6,730	($4,499)	$4,106
2028	1,895	6,745	(4,479)	4,161
2029	1,925	6,676	(4,430)	4,171
2030	1,950	6,643	(4,410)	4,183
2031	1,980	6,597	(4,380)	4,197
2032 to 2036	14,130	31,999	(21,247)	24,882
2037 to 2041	93,805	27,634	(18,439)	103,000
2042 to 2046	121,615	14,423	(9,708)	126,330
2047 to 2051	51,125	1,735	(1,158)	51,702
Total	**$290,300**	**$109,182**	**($72,750)**	**$326,732**

Table 8.19: Future debt service payments, interest rate swaps at San Francisco at year ending June 30 *(in thousands of dollars)*

San Francisco	Variable-rate bond principal	Variable-rate bond interest	Interest rate swap, net	Total
2027	$4,780	$816	$268	$5,864
2028	4,955	700	224	5,879
2029	5,130	568	183	5,881
2030	5,320	437	136	5,893
2031	5,510	296	91	5,897
2032 to 2036	5,710	204	10	5,924
2037 to 2041		61	(38)	23
2042 to 2046		61	(38)	23
2047 to 2051	525	12	(7)	530
Total	**$31,930**	**$3,155**	**$829**	**$35,914**

Table 8.20: Total future debt service payments, interest rate swaps at year ending June 30 *(in thousands of dollars)*

Total Medical Centers	Variable-rate bond principal	Variable-rate bond interest	Interest rate swap, net	Total
2027	$12,990	$12,805	($2,633)	$23,162
2028	13,420	12,603	(2,685)	23,338
2029	13,830	12,219	(2,681)	23,368
2030	14,285	11,898	(2,743)	23,440
2031	12,445	11,531	(2,776)	21,200
2032 to 2036	48,180	53,355	(14,725)	86,810
2037 to 2041	147,940	44,312	(13,838)	178,414
2042 to 2046	193,680	22,505	(7,900)	208,285
2047 to 2051	72,865	2,330	(1,292)	73,903
Total	**$529,635**	**$183,558**	**($51,273)**	**$661,920**

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Leases

The Medical Centers have leases for land, buildings and equipment under agreements that extend through 2096. Some leases include one or more options to renew, with renewal terms that can extend the lease term from one to 60 years. Leases may also include options to terminate the leases.

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

The Medical Centers measure the lease liability at the present value of payments expected to be made during the lease term. Leases with an initial term of 12 months or less, real estate leases with undiscounted payments of less than $300,000 (including option periods) or equipment leases with undiscounted payments of less than $100,000 (including option periods) are recognized as operating expense as incurred over the lease term. If the interest rate cannot be readily determined, the Medical Centers use 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 leases with an initial or remaining non-cancelable term in excess of one year are described in **Tables 8.21** through **8.26**.

Table 8.21: Future minimum payments on leases at Davis at year ending June 30 *(in thousands of dollars)*

Davis	Principal	Interest	Total
2027	$30,579	$14,223	$44,802
2028	31,101	12,963	44,064
2029	28,956	11,724	40,680
2030	28,053	10,532	38,585
2031	27,528	9,390	36,918
2032 to 2036	125,093	30,239	155,332
2037 to 2041	80,305	8,464	88,769
2042 to 2046	6,556	479	7,035
Total	**$358,171**	**$98,014**	**$456,185**

Table 8.22: Future minimum payments on leases at Irvine at year ending June 30 *(in thousands of dollars)*

Irvine	Principal	Interest	Total
2027	$22,425	$12,170	$34,595
2028	21,339	13,406	34,745
2029	22,330	12,365	34,695
2030	17,883	12,143	30,026
2031	16,925	10,601	27,526
2032 to 2036	85,246	38,864	124,110
2037 to 2041	70,690	18,656	89,346
2042 to 2046	38,904	4,649	43,553
2047 to 2051	94	898	992
2052 to 2056	121	871	992
2057 to 2061	156	836	992
2062 to 2066	201	791	992
2067 to 2071	259	733	992
2072 to 2076	333	659	992
2077 to 2081	429	563	992
2082 to 2086	552	440	992
2087 to 2091	711	281	992
2092 to 2096	731	79	810
Total	**$299,329**	**$129,005**	**$428,334**

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Table 8.23: Future minimum payments on leases at Los Angeles at year ending June 30 *(in thousands of dollars)*

Los Angeles	Principal	Interest	Total
2027	$16,152	$4,503	$20,655
2028	15,836	3,867	19,703
2029	14,875	3,266	18,141
2030	13,231	2,705	15,936
2031	9,405	2,222	11,627
2032 to 2036	30,125	6,367	36,492
2037 to 2041	14,043	1,975	16,018
2042 to 2046	3,638	260	3,898
Total	**$117,305**	**$25,165**	**$142,470**

Table 8.24: Future minimum payments on leases at San Diego at year ending June 30 *(in thousands of dollars)*

San Diego	Principal	Interest	Total
2027	$25,710	$3,585	$29,295
2028	21,645	2,563	24,208
2029	19,358	1,641	20,999
2030	15,838	867	16,705
2031	7,743	303	8,046
2032 to 2036	4,010	180	4,190
Total	**$94,304**	**$9,139**	**$103,443**

Table 8.25: Future minimum payments on leases at San Francisco at year ending June 30 *(in thousands of dollars)*

San Francisco	Principal	Interest	Total
2027	$27,015	$15,347	$42,362
2028	26,338	13,898	40,236
2029	26,079	12,860	38,939
2030	27,160	11,796	38,956
2031	26,890	10,709	37,599
2032 to 2036	103,285	39,731	143,016
2037 to 2041	77,723	22,600	100,323
2042 to 2046	31,795	12,796	44,591
2047 to 2051	23,160	8,470	31,630
2052 to 2056	21,541	5,612	27,153
2057 to 2061	24,614	2,539	27,153
2062 to 2066	6,232	104	6,336
Total	**$421,832**	**$156,462**	**$578,294**

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Table 8.26: Total future minimum payments on leases at year ending June 30 *(in thousands of dollars)*

Total	Principal	Interest	Total
2027	$121,881	$49,828	$171,709
2028	116,259	46,697	162,956
2029	111,598	41,856	153,454
2030	102,165	38,043	140,208
2031	88,491	33,225	121,716
2032 to 2036	347,759	115,381	463,140
2037 to 2041	242,761	51,695	294,456
2042 to 2046	80,893	18,184	99,077
2047 to 2051	23,254	9,368	32,622
2052 to 2056	21,662	6,483	28,145
2057 to 2061	24,770	3,375	28,145
2062 to 2066	6,433	895	7,328
2067 to 2071	259	733	992
2072 to 2076	333	659	992
2077 to 2081	429	563	992
2082 to 2086	552	440	992
2087 to 2091	711	281	992
2092 to 2096	731	79	810
Total	**$1,290,941**	**$417,785**	**$1,708,726**

Subscription-based Information Technology Arrangements

The Medical Centers have 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 eight years. SBITAs may also include options to terminate the subscription. SBITAs do not contain any material incentives received, material restrictive covenants or material termination penalties.

The Medical Centers measure the SBITAs 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 $500,000 (including option periods) are recognized as operating expense on a straight-line basis over the subscription term. If the interest rate implicit in the SBITAs cannot be readily determined, the Medical Centers use an incremental borrowing rate to discount the subscription assets payments, which is an estimate of the interest rate that would be charged for borrowing the SBITAs payment amounts during the subscription term.

Future minimum payments on SBITAs with an initial or remaining non-cancelable term in excess of one year are described in **Tables 8.27** through **8.32**.

Table 8.27: Future minimum payments on SBITAs at Davis at year ending June 30 *(in thousands of dollars)*

Davis	Principal	Interest	Total
2027	$12,428	$1,184	$13,612
2028	7,042	620	7,662
2029	4,642	309	4,951
2030	3,088	106	3,194
2031	539	5	544
Total	**$27,739**	**$2,224**	**$29,963**

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Table 8.28: Future minimum payments on SBITAs at Irvine at year ending June 30 *(in thousands of dollars)*

Irvine	Principal	Interest	Total
2027	$21,983	$2,765	$24,748
2028	17,149	1,771	18,920
2029	14,935	1,402	16,337
2030	4,850	475	5,325
2031	1,319	251	1,570
2032 to 2034	4,522	389	4,911
Total	**$64,758**	**$7,053**	**$71,811**

Table 8.29: Future minimum payments on SBITAs at Los Angeles at year ending June 30 *(in thousands of dollars)*

Los Angeles	Principal	Interest	Total
2027	$20,529	$1,784	$22,313
2028	12,727	1,069	13,796
2029	6,002	478	6,480
2030	4,345	205	4,550
Total	**$43,603**	**$3,536**	**$47,139**

Table 8.30: Future minimum payments on SBITAs at San Diego at year ending June 30 *(in thousands of dollars)*

San Diego	Principal	Interest	Total
2027	$11,049	$1,583	$12,632
2028	9,811	1,098	10,909
2029	7,741	653	8,394
2030	6,621	317	6,938
2031	2,123	28	2,151
Total	**$37,345**	**$3,679**	**$41,024**

Table 8.31: Future minimum payments on SBITAs at San Francisco at year ending June 30 *(in thousands of dollars)*

San Francisco	Principal	Interest	Total
2027	$6,351	$350	$6,701
2028	3,054	123	3,177
2029	1,021	17	1,038
2030	258	1	259
Total	**$10,684**	**$491**	**$11,175**

Table 8.32: Total future minimum payments on SBITAs at year ending June 30 *(in thousands of dollars)*

Total Medical Centers	Principal	Interest	Total
2027	$72,340	$7,666	$80,006
2028	49,783	4,681	54,464
2029	34,341	2,859	37,200
2030	19,162	1,104	20,266
2031	3,981	284	4,265
2032 to 2034	4,522	389	4,911
Total	**$184,129**	**$16,983**	**$201,112**

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9. Deferred Outflows and Deferred Inflows of Resources

Tables 9.1a and **9.2a** present the composition of deferred outflows and deferred inflows of resources at June 30, 2026, respectively.

Table 9.1a: Deferred outflows of resources at June 30, 2026 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Net pension liability	$166,719	$365,978	$209,033	$162,735	$606,313	$1,510,778
Net retiree health benefits liability	387,699	726,335	360,265	316,718	968,780	2,759,797
Debt refunding	1,084		1,363	11,412		13,859
Interest rate swap agreements			11,734		627	12,361
Asset retirement obligations				36,320	5,739	42,059
Acquisitions		390,804	102,292			493,096
Total	**$555,502**	**$1,483,117**	**$684,687**	**$527,185**	**$1,581,459**	**$4,831,950**

Table 9.2a: Deferred inflows of resources at June 30, 2026 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Net pension liability	$1,191,725	$1,010,734	$1,157,735	$935,262	$2,198,976	$6,494,432
Net retiree health benefits liability	574,056	392,727	523,360	395,299	947,430	2,832,872
Debt refunding	13,212	14,453	21,902	3,645	2,681	55,893
Interest rate swap agreements	726	173		55,819		56,718
Irrevocable split-interest agreements					19,299	19,299
Leases	13,614	15,747	24,817		29,707	83,885
Total	**$1,793,333**	**$1,433,834**	**$1,727,814**	**$1,390,025**	**$3,198,093**	**$9,543,099**

Tables 9.1b and **9.2b** present the composition of deferred outflows and deferred inflows of resources at June 30, 2025, respectively.

Table 9.1b: Deferred outflows of resources at June 30, 2025 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Net pension liability	$204,998	$385,885	$200,993	$185,756	$620,192	$1,597,824
Net retiree health benefits liability	264,044	584,776	179,248	235,999	878,871	2,142,938
Debt refunding	6,264			13,322	172	19,758
Interest rate swap agreements			16,263		1,217	17,480
Asset retirement obligations				21,850	9,101	30,951
Acquisitions		407,983	103,959			511,942
Total	**$475,306**	**$1,378,644**	**$500,463**	**$456,927**	**$1,509,553**	**$4,320,893**

Table 9.2b: Deferred inflows of resources at June 30, 2025 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Net pension liability	$443,772	$322,698	$378,351	$312,551	$802,011	$2,259,383
Net retiree health benefits liability	698,669	454,527	645,410	486,478	1,182,315	3,467,399
Debt refunding			2,162			2,162
Interest rate swap agreements	756	184		58,440		59,380
Irrevocable split-interest agreements					18,376	18,376
Leases	13,912	15,511	30,210		38,562	98,195
Total	**$1,157,109**	**$792,920**	**$1,056,133**	**$857,469**	**$2,041,264**	**$5,904,895**

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10. Retirement Plans

University of California Retirement System (UCRS)

Substantially all full-time employees of the Medical Centers participate in the UCRS, administered by the University. UCRS consists of the University of California Retirement Plan (UCRP), a single employer defined benefit pension plan, and the University of California Retirement Savings Program (UCRSP) that includes four defined contribution retirement plans with several investment portfolios generally funded with employee non-elective and elective contributions. The Regents has the authority to establish and amend the UCRS plans. UCRP provides lifetime retirement income, disability protection, death benefits and postretirement and preretirement survivor benefits to eligible employees of the University and its affiliates. Additional information on the retirement plans can be obtained from the 2025–26 annual report of the University of California Retirement System at https://reportingtransparency.universityofcalifornia.edu.

Effective July 2025, employees of CHRCO transitioned to be employees of the University in connection with the continued integration of UCSF Benioff Children's Hospital Oakland. Eligible employees who transitioned received recognition of equivalent prior vesting credit under the applicable CHRCO retirement plans as UCRP service credit. This service credit is recognized solely for purposes of satisfying UCRP vesting requirements and is not used to calculate retirement income or lump-sum cashout benefits. In June 2026, UCSF Medical Center made a supplemental contribution of $29.0 million to UCRP in connection with the recognition of this prior vesting credit.

In July 2024, the Regents approved an amendment to UCRP in connection with the affiliation with CommonSpirit Health and its affiliates. Under the amendment, eligible employees who transition from these facilities will receive UCRP service credit for vesting purposes only (not for benefit accrual), based on their vesting service under the CommonSpirit Health pension plans, adjusted for differences in service crediting methods and plan years. To fund this change, UCSF Medical Center made a supplemental contribution of $16.5 million to UCRP in December 2024.

Contributions

Contributions to the UCRP may be made by the Medical Centers and their employees. The rates for contributions as a percentage of payroll are determined annually pursuant to The Regents' funding policy and based upon recommendations of a consulting actuary. The Regents determines the portion of the total contribution to be made by the Medical Centers and by the employees. Employee contributions by represented employees are subject to collective bargaining agreements. Employee contributions range from 7.0 percent to 9.0 percent. The University pays a uniform contribution rate on behalf of all UCRP active members. The contribution rate for active members was 14.5 percent of covered payroll for the years ended June 30, 2026 and 2025. Employee contributions to UCRP are accounted for separately and currently accrue interest at 6.0 percent annually. Upon termination, members may elect a refund of their contributions plus accumulated interest; vested terminated members who are eligible to retire may also elect monthly retirement income or, if they are a member of certain tiers, a lump sum equal to the present value of their accrued benefits.

Tables 10.1a and **10.1b** present contributions to the UCRP in 2026 and 2025, respectively.

Table 10.1a: UCRP contributions in 2026 *(in thousands of dollars)*

Location	Medical Center	Employees	Total
Davis	$215,737	$133,855	$349,592
Irvine	189,122	111,428	300,550
Los Angeles	219,619	130,171	349,790
San Diego	176,547	105,398	281,945
San Francisco	382,094	221,778	603,872
Total	**$1,183,119**	**$702,630**	**$1,885,749**

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Table 10.1b: UCRP contributions in 2025 *(in thousands of dollars)*

Location	Medical Center	Employees	Total
Davis	$204,274	$118,783	$323,057
Irvine	160,702	94,284	254,986
Los Angeles	198,042	118,507	316,549
San Diego	162,699	96,868	259,567
San Francisco	311,941	179,964	491,905
Total	**$1,037,658**	**$608,406**	**$1,646,064**

Additional deposits were made by the University to UCRP of $800.0 million for fiscal year ended June 30, 2025. No additional deposits were made by the University to UCRP for fiscal year ended June 30, 2026. The Medical Centers' reported pension expense and increase in the pension payable to the University for their portion of these additional deposits based upon their proportionate share of covered compensation for the year ended June 30, 2025, are presented in **Table 10.2**.

Table 10.2: Medical Centers' portion of additional deposits to UCRP *(in thousands of dollars)*

Location	2025
Davis	$59,029
Irvine	46,438
Los Angeles	57,228
San Diego	47,015
San Francisco	90,141
Total	**$299,851**

Net pension liability

Tables 10.3a and **10.3b** present the Medical Centers' proportional percentage and proportionate share of the net pension liability for UCRP at June 30, 2026, and 2025, respectively.

Table 10.3a: Proportionate share of the net pension liability at June 30, 2026 *(in thousands of dollars)*

Location	Proportion of the net pension liability	Proportionate share of the net pension liability
Davis	7.2%	$37,557
Irvine	6.3	32,924
Los Angeles	7.3	38,233
San Diego	5.9	30,735
San Francisco	12.8	66,886
Total	**39.5%**	**$206,335**

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Table 10.3b: Proportionate share of the net pension liability at June 30, 2025 *(in thousands of dollars)*

Location	Proportion of the net pension liability	Proportionate share of the net pension liability
Davis	7.3%	$906,354
Irvine	5.7	713,030
Los Angeles	7.1	878,703
San Diego	5.8	721,891
San Francisco	12.4	1,538,771
Total	**38.3%**	**$4,758,749**

The Medical Centers' net pension liability was measured at June 30 and calculated using the plan net position valued at the measurement date and total pension liability determined based upon rolling forward the total pension liability from the results of the actuarial valuations at July 1, 2025 and 2024, respectively. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of certain events occurring far into the future. Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used at June 30, 2026 and 2025 were based upon the results of an experience study conducted for the period July 1, 2018 through June 30, 2022.

Table 10.4 presents actuarial assumptions used in calculating the Medical Centers' net pension liability.

Table 10.4: UCRP actuarial assumptions

Description	2026	2025
Discount rate	6.75%	6.75%
Inflation	2.50	2.50
Investment rate of return	6.75	6.75
Projected salary increases	3.65 to 5.95	3.65 to 5.95
Cost-of-living adjustments	2.00	2.00

Discount rate

To calculate the discount rate, cash flows into and out of UCRP were projected in order to determine whether UCRP has sufficient cash in future periods for projected benefit payments for current members. For this purpose, Medical Center contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected Medical Center and member contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. UCRP was projected to have assets sufficient to make projected benefit payments for current members for all future years at June 30, 2026 and 2025.

Investment rate of return

The long-term expected investment rate of return assumption for UCRP was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used to derive the long-term expected investment rate of return assumption can be obtained from Note 7 to the Financial Statements from the 2025–26 annual report of the UCRS.

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Mortality rates

Table 10.5 presents the mortality rates valuation basis used to calculate the Medical Centers' net pension liability.

Table 10.5: UCRP mortality rates valuation basis

Description	Actuarial valuation basis
Preretirement	Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), decreased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Postretirement	The Pub-2010 mortality tables and adjustments as shown below reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.
Postretirement: Healthy members	Faculty members • Pub-2010 Teacher Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), decreased by 15% for males and decreased by 5% for females projected generationally with the two-dimensional mortality improvement scale MP-2021. Staff and Safety members • Pub-2010 Teacher Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), unadjusted for males and increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Postretirement: Disabled members	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted 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.
Postretirement: Beneficiaries	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 increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Sensitivity of the net pension liability (asset) to the discount rate assumption

Tables 10.6a and **10.6b** present the June 30, 2026 net pension liability of the Medical Centers calculated using the June 30, 2026 discount rate assumption of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate one percent lower and one percent higher than the current assumption.

Table 10.6a: UCRP Sensitivity of the net pension liability (asset) to changes in the discount rate in 2026 *(in thousands of dollars)*

Location	1% Decrease (5.75%)	Current discount (6.75%)	1% Increase (7.75%)
Davis	$1,251,684	$37,557	($954,040)
Irvine	1,097,277	32,924	(836,350)
Los Angeles	1,274,213	38,233	(971,212)
San Diego	1,024,323	30,735	(780,744)
San Francisco	2,229,148	66,886	(1,699,069)
Total	**$6,876,645**	**$206,335**	**($5,241,415)**

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Table 10.6b: UCRP Sensitivity of the net pension liability (asset) to changes in the discount rate in 2025 *(in thousands of dollars)*

Location	1% Decrease (5.75%)	Current discount (6.75%)	1% Increase (7.75%)
Davis	$2,057,012	$906,354	($34,236)
Irvine	1,618,254	713,030	(26,933)
Los Angeles	1,994,257	878,703	(33,191)
San Diego	1,638,365	721,891	(27,268)
San Francisco	3,492,311	1,538,771	(58,124)
Total	**$10,800,199**	**$4,758,749**	**($179,752)**

Deferred outflows of resources and deferred inflows of resources

Tables 10.7a and **10.8a** present the composition of deferred outflows and deferred inflows of resources for UCRP at June 30, 2026.

Table 10.7a: UCRP deferred outflows of resources at June 30, 2026 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Changes in proportion and differences between location's contributions and proportionate share of contributions	$38,496	$252,959	$78,500	$57,803	$284,296	$712,054
Changes of assumptions or other inputs	5,601	4,912	5,704	4,585	9,978	30,780
Difference between expected and actual experience	122,622	107,494	124,829	100,347	218,377	673,669
Total	**$166,719**	**$365,365**	**$209,033**	**$162,735**	**$512,651**	**$1,416,503**

Table 10.8a: UCRP deferred inflows of resources at June 30, 2026 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Changes in proportion and differences between location's contributions and proportionate share of contributions	$63,153	$18,556	$8,856	$11,707	$65,140	$167,412
Net difference between projected and actual earnings on pension plan investments	1,128,572	989,339	1,148,879	$923,555	2,009,867	6,200,212
Total	**$1,191,725**	**$1,007,895**	**$1,157,735**	**$935,262**	**$2,075,007**	**$6,367,624**

Tables 10.7b and **10.8b** present the composition of deferred outflows and deferred inflows of resources for UCRP at June 30, 2025.

Table 10.7b: UCRP deferred outflows of resources at June 30, 2025 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Changes in proportion and differences between location's contributions and proportionate share of contributions	$50,879	$263,862	$51,578	$63,005	$312,748	$742,072
Changes of assumptions or other inputs	13,892	10,929	13,468	11,065	23,585	72,939
Difference between expected and actual experience	140,227	110,315	135,947	111,686	238,068	736,243
Total	**$204,998**	**$385,106**	**$200,993**	**$185,756**	**$574,401**	**$1,551,254**

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Table 10.8b: UCRP deferred inflows of resources at June 30, 2025 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Changes in proportion and differences between location's contributions and proportionate share of contributions	$71,191	$28,866	$17,139	$15,800	$96,538	$229,534
Net difference between projected and actual earnings on pension plan investments	372,581	293,108	361,212	296,751	632,549	1,956,201
Total	**$443,772**	**$321,974**	**$378,351**	**$312,551**	**$729,087**	**$2,185,735**

Table 10.9 presents net deferred inflows of resources related to UCRP that will be recognized in pension expense during the years ended June 30 in future years.

Table 10.9: UCRP net deferred (inflows) of resources in future years at year ending June 30 *(in thousands of dollars)*

Fiscal year	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
2027	($299,754)	($161,601)	($280,769)	($221,134)	($458,156)	($1,421,414)
2028	(301,720)	(171,094)	(275,754)	(221,575)	(453,001)	(1,423,144)
2029	(250,377)	(174,900)	(224,485)	(191,744)	(356,069)	(1,197,575)
2030	(173,155)	(134,935)	(167,694)	(138,074)	(295,130)	(908,988)
Total	**($1,025,006)**	**($642,530)**	**($948,702)**	**($772,527)**	**($1,562,356)**	**($4,951,121)**

The UCRSP plans (Defined Contribution (DC) Plan, Supplemental DC Plan, 403(b) Plan and 457(b) Plan) provide savings incentives and additional retirement security for all eligible employees. Additional information on the UCRSP plans can be obtained from the 2025–26 annual report of the UCRS.

Orange County Employees Retirement System

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

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

Membership in the OCERS Plan consisted of the following at December 31, 2025: 22,244 retired members and beneficiaries, 10,132 inactive members and 22,797 active members.

Additional information on OCERS can be obtained from the 2025–26 annual reports of the Orange County Employees Retirement System at https://www.ocers.org.

Contributions

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

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Net pension liability

The Irvine Medical Center's proportionate share of the net pension liability was $7.3 million and $10.7 million at June 30, 2026 and 2025, respectively. Irvine Medical Center's net pension liability for OCERS was measured at June 30, 2026 and 2025, and the total pension liability was determined by an actuarial valuation at December 31, 2025 and 2024 rolled forward to June 30, 2026 and 2025, respectively. The actuarial assumptions used in that valuation were based on the results of an experience study for the period January 1, 2020 through December 31, 2022 and they are the same assumptions used starting with the December 31, 2023 funding valuation for OCERS.

Table 10.10 presents the assumptions used to calculate the net pension liability for the Plan at June 30, 2026 and 2025.

Table 10.10: OCERS actuarial assumptions

Description	2026	2025
Discount rate	7.0%	7.0%
Inflation	2.5	2.5
Investment rate of return	7.0	7.0
Projected salary increases: General	3.9 to 10.25	3.9 to 10.25
Projected salary increases: Safety	4.5 to 15.0	4.5 to 15.0
Cost-of-living adjustments	2.75	2.75

Discount rate

The projection of cash flows used to determine the discount rate assumes plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rate. For this purpose, only employer contributions will be made at rates equal to the actuarially determined contribution rates.

Investment rate of return

Table 10.11 presents 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 OCERS Plan.

Table 10.11: OCERS investment rate of return in 2026 and 2025

Description	Target allocation	Long-term expected real rate of return*
Global equity	45.0%	7.1%
Investment grade bonds	9.0	2.0
High-yield bond	0.5	4.6
TIPS	2.0	1.8
Emerging market debt	0.5	4.7
Long-term government bonds	3.3	2.8
Real estate	3.0	3.9
Private equity	15.0	9.8
Private credit	3.5	6.5
Value added real estate	3.0	7.4
Opportunistic real estate	1.0	9.7
Energy	2.0	10.9
Infrastructure (Core private)	1.0	6.0
Infrastructure (Non-core private)	3.0	8.9
Global macro	1.7	3.2
CTA (Trend following)	3.3	3.2
Alternative risk premia	1.7	3.2
Special situations lending	1.5	9.0
Total	**100.0%**	**6.6%**

**Arithmetic real rates of return are net of inflation*

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Sensitivity of the net pension liability to the discount rate assumption

Tables 10.12a and **10.12b** present the net pension liability calculated using the June 30, 2026 discount rate assumption of 7.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate one percent lower and one percent higher than the current assumption.

Table 10.12a: OCERS sensitivity of the net pension liability to changes in the discount rate in 2026 *(in thousands of dollars)*

Description	1% Decrease (6.0%)	Current discount (7.0%)	1% Increase (8.0%)
Net pension liability	**$13,144**	**$7,334**	**$2,583**

Table 10.12b: OCERS sensitivity of the net pension liability to changes in the discount rate in 2025 *(in thousands of dollars)*

Description	1% Decrease (6.0%)	Current discount (7.0%)	1% Increase (8.0%)
Net pension liability	**$16,773**	**$10,711**	**$5,755**

Deferred outflows of resources and deferred inflows of resources

Tables 10.13 and **10.14** present the composition of deferred outflows and deferred inflows of resources at June 30 2026 and 2025, respectively.

Table 10.13: OCERS deferred outflows of resources *(in thousands of dollars)*

Description	2026	2025
Difference between expected and actual experience	$594	$748
Changes of assumptions or other inputs	19	27
Net difference between projected and actual earnings on pension plan investments		4
Total	**$613**	**$779**

Table 10.14: OCERS deferred inflows of resources *(in thousands of dollars)*

Description	2026	2025
Difference between expected and actual experience	$497	$647
Changes of assumptions or other inputs		77
Net difference between projected and actual earnings on pension plan investments	2,342	
Total	**$2,839**	**$724**

Table 10.15 presents the net deferred outflows and (inflows) of resources related to pensions that will be recognized in pension expense for OCERS in future years.

Table 10.15: OCERS net deferred outflows and (inflows) of resources in future years at year ending June 30 *(in thousands of dollars)*

Fiscal year	Total
2027	$301
2028	(1,079)
2029	(878)
2030	(579)
2031	9
Total	**($2,226)**

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Children's Hospital and Research Center Oakland Pension Plan

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

The CHRCO Pension Plan was amended during the fiscal year ended June 30, 2025 to close the CHRCO Pension Plan to new participants effective July 6, 2025, freeze credited service for benefit accrual purposes as of July 5, 2025, freeze pay for benefit accrual purposes after June 30, 2030 for unrepresented employees and December 31, 2030 for represented employees and provide partial benefit service for represented employee participants working between 500 and 999 hours during 2025.

Table 10.16 presents assumptions used to calculate the net pension liability for the CHRCO Pension Plan.

Table 10.16: CHRCO actuarial assumptions

Description	2026	2025
Inflation	2.75%	3.00%
Investment rate of return	6.00%	6.75%
Projected salary increases: Represented employees	4.35% for FYE 2026 and annually thereafter until December 31, 2030	4.50% for FYE 2025, 4.20% for FYE 2026 and 3.50% for FYE 2027 annually thereafter
Projected salary increases: Unrepresented employees	4.00% for FYE 2026 and annually thereafter until FYE 2030	4.20% for FYE 2025 and 3.50% for FYE 2026 annually thereafter
Cost-of-living adjustments	None	None

CHRCO recognized pension expense of $9.4 million and ($119.4) million for the years ended June 30, 2026 and 2025, respectively.

The actuarial assumptions used in the June 30, 2026 and 2025 valuations were based on the results of a plan experience review conducted during 2024 and recent discussions with management regarding expected future salary increases, inflation and future assumed investment returns. The base mortality rates for the June 30, 2025 measurements utilized the Pri-2012 Private Retirement Plans Mortality Tables whereas the base mortality rates for the June 30, 2026 measurements utilized the Pub-2016 Public Retirement Plans Mortality Tables for general employees; future mortality improvements at both measurement dates were projected generationally using Scale MP-2021.

Additional information on the CHRCO Pension Plan can be obtained from Children's Hospital Oakland, Finance Department, 747 52nd Street, Oakland, CA 94609.

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Table 10.17 presents condensed financial information for the CHRCO Pension Plan at and for the years ended June 30, 2026 and 2025.

Table 10.17: Children's Hospital and Research Center Oakland pension plan condensed financial information *(in thousands of dollars)*

Description	2026	2025
Condensed statement of plan fiduciary net position		
Investments at fair value	$899,278	$789,306
Total assets	**899,278**	**789,306**
Net position held in trust	**$899,278**	**$789,306**
Condensed statement of changes in plan fiduciary net position		
Contributions	$18,600	$41,800
Investment and other income, net	127,250	89,585
Total additions, net	**145,850**	**131,385**
Benefit payment and participant withdrawals	34,042	29,566
Plan expense	1,836	3,102
Total deductions	**35,878**	**32,668**
Change in net position held in trust	**109,972**	**98,717**
Net position held in trust		
Beginning of year	789,306	690,589
End of year	**$899,278**	**$789,306**
Changes in total pension liability (asset)		
Service cost	$7,979	$14,263
Interest	40,883	48,326
Changes of benefit terms		(135,792)
Difference between expected and actual experience	13,017	4,631
Changes of assumptions and other inputs	69,756	21,940
Benefits paid, including refunds of employee contributions	(34,042)	(29,566)
Net change in total pension liability (asset)	**97,593**	**(76,198)**
Total pension liability		
Beginning of year	614,438	690,636
End of year	**$712,031**	**$614,438**
Net pension liability (asset), end of year	**($187,247)**	**($174,868)**

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Table 10.18 presents membership in the CHRCO Pension Plan at June 30, 2026 and 2025.

Table 10.18: CHRCO Pension Plan membership

Description	2026	2025
Retirees and beneficiaries receiving benefits	1,581	1,501
Inactive members entitled to, but not yet receiving benefits	665	626
Active members	1,992	2,104
Total membership	**4,238**	**4,231**

Contributions

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

Net pension liability (asset)

The net pension liability (asset) for the CHRCO Pension Plan was measured as of June 30 and the total pension liability was determined by an actuarial valuation at January 1, rolled forward to June 30.

Discount rate

The discount rate used to estimate the net pension liability was 6.0 percent and 6.75 percent for June 30, 2026 and 2025, respectively. The projection of cash flows used to determine the discount rate assumes that CHRCO will make any required contributions to the plan under IRC Section 430's minimum requirements; however, no future contributions are currently anticipated to be required under IRC Section 430. Based on these assumptions, the CHRCO Pension Plan fiduciary net position is projected to be available to make all projected future benefit payments for current active and inactive employees.

Investment rate of return

Tables 10.19a and **10.19b** present 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, respectively.

Table 10.19a: CHRCO Pension Plan target allocation

Asset class	2026	2025
Global equity	55.0%	70.0%
Core fixed income	45.0	30.0
Total	**100.0%**	**100.0%**

Table 10.19b: CHRCO Pension Plan projected real rate of return

Asset class	2026	2025
Global equity	3.54%	4.00%
Core fixed income	1.89	2.20

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Sensitivity of the net pension liability (asset) to the discount rate assumption

Tables 10.20a and **10.20b** present the current-period net pension liability (asset) calculated using the June 30, 2026 and 2025 discount rate assumption of 6.0 percent and 6.75 percent, respectively, as well as what the net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower and 1 percent higher than the current assumption.

Table 10.20a: CHRCO Pension Plan sensitivity of the net pension liability (asset) to the discount rate assumption at June 30, 2026 *(in thousands of dollars)*

Description	1% Decrease (5.00%)	Current discount (6.00%)	1% Increase (7.00%)
Net pension liability (asset)	($105,537)	($187,247)	($256,565)

Table 10.20b: CHRCO Pension Plan sensitivity of the net pension liability (asset) to the discount rate assumption at June 30, 2025 *(in thousands of dollars)*

Description	1% Decrease (5.75%)	Current discount (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	($108,012)	($174,868)	($231,839)

Deferred outflows of resources and deferred inflows of resources

Tables 10.21 and **10.22** present the components of deferred outflows and deferred inflows of resources as of June 30, 2026 and 2025, respectively.

Table 10.21: CHRCO Pension Plan deferred outflows of resources *(in thousands of dollars)*

Description	2026	2025
Difference between expected and actual experience	$25,600	$26,899
Changes of assumptions	68,062	18,891
Total	**$93,662**	**$45,790**

Table 10.22: CHRCO Pension Plan deferred inflows of resources *(in thousands of dollars)*

Description	2026	2025
Difference between expected and actual experience	$629	$1,116
Changes of assumptions	12,949	22,681
Net difference between projected and actual earnings on pension plan investments	110,391	49,127
Total	**$123,969**	**$72,924**

Table 10.23 presents the net deferred outflows and (inflows) of resources related to pensions that will be recognized in pension expense for the CHRCO Pension Plan during the years ending June 30.

Table 10.23: CHRCO Pension Plan net deferred outflows and (inflows) of resources in future years at year ending June 30 *(in thousands of dollars)*

Fiscal year	Total
2027	($20,483)
2028	(16,312)
2029	(5,947)
2030	(641)
2031	11,469
Thereafter	1,607
Total	**($30,307)**

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11. Retiree Health Benefits Plans

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

Additional information on the retiree health plans can be obtained from the 2025–26 annual financial report of the University.

Contributions

Campus and Medical Center contributions toward retiree health benefits, at rates determined by the University, are made to UCRHBT. The University receives retiree health contributions from retirees that are deducted from their UCRP benefit payments or are received from the retiree through direct pay. The University also remits these retiree contributions to UCRHBT. Contributions toward benefits are shared with the retiree. Retirees are required to pay the difference between the employer's contribution and the full cost of the health insurance. The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees who previously worked at a campus or Medical Center. UCRHBT reimburses the University for these amounts.

The contribution requirements are based upon projected pay-as-you-go financing requirements. The retiree health benefits assessment rate was $2.18 and $2.23 per $100 of UCRP covered payroll effective July 1, 2025 and 2024, respectively.

Table 11.1 presents the Medical Centers' cash contributions to the UCRHBT in 2026 and 2025.

Table 11.1: Cash contributions to UCRHBT *(in thousands of dollars)*

Location	2026	2025
Davis	$34,892	$32,395
Irvine	29,411	25,609
Los Angeles	34,603	31,347
San Diego	27,554	25,758
San Francisco	59,750	50,193
Total	**$186,210**	**$165,302**

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 healthcare costs than active employees. This is primarily due to the older average age of retirees. Since the same gross premiums apply to both groups, the premiums paid for active employees by the University are subsidizing the premiums for retirees. The effect is the implicit subsidy. The implicit subsidy associated with retiree health costs paid during the past year is also considered to be a contribution from the University.

Table 11.2 presents the Medical Centers' implicit subsidy contributions in 2026 and 2025.

Table 11.2: Implicit subsidy contributions *(in thousands of dollars)*

Location	2026	2025
Davis	$10,412	$9,528
Irvine	8,777	7,534
Los Angeles	10,325	9,218
San Diego	8,222	7,575
San Francisco	17,900	16,732
Total	**$55,636**	**$50,587**

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Net Retiree Health Benefits Liability

Tables 11.3a and **11.3b** present the Medical Centers' proportionate share of the net retiree health benefits liability at June 30, 2026 and 2025, respectively.

Table 11.3a: Net retiree health benefits liability at June 30, 2026 *(in thousands of dollars)*

Location	Proportion of the net retiree health benefits liability	Proportionate share of the net retiree health benefits liability
Davis	7.1%	$1,619,421
Irvine	6.0	1,364,989
Los Angeles	7.1	1,606,029
San Diego	5.6	1,278,968
San Francisco	12.3	2,784,223
Total	**38.1%**	**$8,653,630**

Table 11.3b: Net retiree health benefits liability at June 30, 2025 *(in thousands of dollars)*

Location	Proportion of the net retiree health benefits liability	Proportionate share of the net retiree health benefits liability
Davis	6.9%	$1,326,900
Irvine	5.4	1,048,980
Los Angeles	6.7	1,284,010
San Diego	5.5	1,054,942
San Francisco	12.1	2,329,719
Total	**36.6%**	**$7,044,551**

The Medical Centers' net retiree health benefits liability was measured as of June 30 based on rolling forward the results of the actuarial valuations as of June 30, one year prior to the measurement date. Actuarial valuations represent a long-term perspective and include estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future.

Table 11.4 presents actuarial assumptions used to calculate the Medical Centers' net retiree health benefits liability.

Table 11.4: Net retiree health benefits actuarial assumptions

Description	2026	2025
Discount rate*	4.67%	5.20%
Investment rate of return	2.50%	2.50%
Inflation	2.50%	2.50%
Initial medical trend rate	2.00% to 13.39%	1.01% to 20.68%
Ultimate medical trend rate	3.94%	3.94%
Year ultimate trend rate reached	2075	2075

**The discount rate was based on the Bond Buyer 20-Bond General Obligation index since UCRHBT plan assets are not sufficient to make benefit payments.*

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Mortality Rates

Table 11.5 presents the mortality rates valuation basis used to calculate the Medical Centers' net retiree health benefits liability.

Table 11.5: Mortality rates valuation basis

Description	Mortality rates valuation basis
Preretirement	Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Postretirement: Healthy participants	Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021. Base Mortality Tables are adjusted as follows: • Faculty: 90% for males and females • Staff and Safety: 110% for males and 105% for females
Postretirement: Spouses/domestic partners	Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021 with no adjustment for males and 95% for females, applied after the expected (and actual) death of the retiree. While retiree is still alive, rates for healthy participants are applied.
Postretirement: Disabled members	Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021, adjusted 85% for males and females.

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 were based upon the results of the most recent experience study covering the period of July 1, 2018 through June 30, 2022.

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

Table 11.6a presents the June 30, 2026 net retiree health benefits liability of the Medical Centers calculated using the June 30, 2026 healthcare cost trend rate assumption with initial trend ranging from 2.0 percent to 13.4 percent grading down to an ultimate trend of 3.9 percent over 50 years, as well as what the net retiree health benefits liability would be if it were calculated using a healthcare cost trend rate one percent lower and one percent higher than the current assumption:

Table 11.6a: Sensitivity to the healthcare cost trend rate *(in thousands of dollars)*

Location	1% Decrease (1.00% to 12.39%) decreasing to (2.94%)	Current trend (2.00% to 13.39%) decreasing to (3.94%)	1% Increase (3.00% to 14.39%) decreasing to (4.94%)
Davis	$1,372,916	$1,619,421	$1,935,305
Irvine	1,157,214	1,364,989	1,631,244
Los Angeles	1,361,563	1,606,029	1,919,302
San Diego	1,084,286	1,278,968	1,528,443
San Francisco	2,360,415	2,784,223	3,327,314
Total	**$7,336,394**	**$8,653,630**	**$10,341,608**

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Table 11.6b presents the June 30, 2025 net retiree health benefits liability of the Medical Centers calculated using the June 30, 2025 healthcare cost trend rate assumption with initial trend ranging from 1.0 percent to 20.7 percent grading down to an ultimate trend of 3.9 percent over 51 years, as well as what the net retiree health benefits liability would be if it were calculated using a healthcare cost trend rate one percent lower and one percent higher than the current assumption:

Table 11.6b: Sensitivity to the healthcare cost trend rate *(in thousands of dollars)*

Location	1% Decrease (0.01% to 19.68%) decreasing to (2.94%)	Current trend (1.01% to 20.68%) decreasing to (3.94%)	1% Increase (2.01% to 21.68%) decreasing to (4.94%)
Davis	$1,134,408	$1,326,900	$1,571,938
Irvine	896,805	1,048,980	1,242,695
Los Angeles	1,097,739	1,284,010	1,521,127
San Diego	901,902	1,054,942	1,249,758
San Francisco	1,991,749	2,329,719	2,759,949
Total	**$6,022,603**	**$7,044,551**	**$8,345,467**

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

Table 11.7a presents the June 30, 2026 net retiree health benefits liability of the Medical Centers calculated using the June 30, 2026 discount rate assumption of 4.67 percent, as well as what the net retiree health benefits liability would be if it were calculated using a discount rate 1 percent lower and 1 percent higher than the current assumption.

Table 11.7a: Sensitivity to the discount rate assumption in 2026 *(in thousands of dollars)*

Location	1% Decrease (3.67%)	Current discount (4.67%)	1% Increase (5.67%)
Davis	$1,886,620	$1,619,421	$1,403,147
Irvine	1,590,207	1,364,989	1,182,694
Los Angeles	1,871,019	1,606,029	1,391,544
San Diego	1,489,993	1,278,968	1,108,161
San Francisco	3,243,611	2,784,223	2,412,390
Total	**$10,081,450**	**$8,653,630**	**$7,497,936**

Table 11.7b presents the June 30, 2025 net retiree health benefits liability of the Medical Centers calculated using the June 30, 2025 discount rate assumption of 5.20 percent, as well as what the net retiree health benefits liability would be if it were calculated using a discount rate 1 percent lower and 1 percent higher than the current assumption.

Table 11.7b: Sensitivity to the discount rate assumption in 2025 *(in thousands of dollars)*

Location	1% Decrease (4.20%)	Current discount (5.20%)	1% Increase (6.20%)
Davis	$1,539,917	$1,326,900	$1,153,863
Irvine	1,217,381	1,048,980	912,186
Los Angeles	1,490,142	1,284,010	1,116,566
San Diego	1,224,300	1,054,942	917,371
San Francisco	2,703,728	2,329,719	2,025,909
Total	**$8,175,468**	**$7,044,551**	**$6,125,895**

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Deferred Outflows of Resources and Deferred Inflows of Resources

Tables 11.8a and **11.9a** present the components of deferred outflows and deferred inflows of resources for retiree health benefits at June 30, 2026.

Table 11.8a: Components of deferred outflows for retiree health benefits at June 30, 2026 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Changes in proportion and differences between location's contributions and proportionate share of contributions	$132,033	$510,837	$106,714	$114,801	$529,221	$1,393,606
Changes in assumptions or other inputs	210,165	177,146	208,427	165,982	361,331	1,123,051
Difference between expected and actual experience	45,501	38,352	45,124	35,935	78,228	243,140
Total	**$387,699**	**$726,335**	**$360,265**	**$316,718**	**$968,780**	**$2,759,797**

Table 11.9a: Components of deferred inflows for retiree health benefits at June 30, 2026 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Changes in proportion and differences between location's contributions and proportionate share of contributions	$110,308	$1,840	$63,447	$29,045	$150,121	$354,761
Changes in assumptions or other inputs	413,340	348,399	409,922	326,443	710,644	2,208,748
Net difference between projected and actual earnings on plan investments	565	476	560	446	971	3,018
Difference between expected and actual experience	49,843	42,012	49,431	39,365	85,694	266,345
Total	**$574,056**	**$392,727**	**$523,360**	**$395,299**	**$947,430**	**$2,832,872**

Tables 11.8b and **11.9b** present the components of deferred outflows and deferred inflows of resources for retiree health benefits at June 30, 2025.

Table 11.8b: Components of deferred outflows for retiree health benefits at June 30, 2025 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Changes in proportion and differences between location's contributions and proportionate share of contributions	$103,793	$458,090	$24,177	$108,592	$597,508	$1,292,160
Changes in assumptions or other inputs	106,774	84,410	103,323	84,890	187,470	566,867
Difference between expected and actual experience	53,477	42,276	51,748	42,517	93,893	283,911
Total	**$264,044**	**$584,776**	**$179,248**	**$235,999**	**$878,871**	**$2,142,938**

Table 11.9b: Components of deferred inflows for retiree health benefits at June 30, 2025 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Changes in proportion and differences between location's contributions and proportionate share of contributions	$129,004	$4,178	$94,158	$33,569	$182,118	$443,027
Changes in assumptions or other inputs	495,095	391,397	479,092	393,622	869,269	2,628,475
Net difference between projected and actual earnings on plan investments	465	368	450	370	817	2,470
Difference between expected and actual experience	74,105	58,584	71,710	58,917	130,111	393,427
Total	**$698,669**	**$454,527**	**$645,410**	**$486,478**	**$1,182,315**	**$3,467,399**

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Table 11.10 presents the net deferred outflows and (inflows) of resources related to retiree health benefits that will be recognized in retiree health benefit expense during the years ended June 30.

Table 11.10: Net deferred outflows and (inflows) of resources for retiree health benefits *(in thousands of dollars)*

Fiscal year	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
2027	($29,340)	$51,580	($44,841)	($11,823)	($11,529)	($45,953)
2028	(40,853)	40,828	(52,394)	(25,097)	(39,224)	(116,740)
2029	(56,186)	29,377	(63,317)	(38,275)	(60,410)	(188,811)
2030	(44,038)	45,806	(40,501)	(22,874)	(19,504)	(81,111)
2031	(20,878)	69,779	(6,763)	(336)	25,657	67,459
Thereafter	4,938	96,238	44,721	19,824	126,360	292,081
Total	**($186,357)**	**$333,608**	**($163,095)**	**($78,581)**	**$21,350**	**($73,075)**

12. Other Liabilities

Interest Rate Swap Agreements

Tables 12.1a and **12.1b** present the Medical Centers' interest rate swap agreements activity in 2026 and 2025, respectively.

Table 12.1a: Interest rate swap agreements activity in 2026 *(in thousands of dollars)*

Description	Los Angeles	San Francisco	Total
Interest rate swap agreements at June 30, 2025	$16,263	$1,217	$17,480
Reductions	(4,529)	(590)	(5,119)
Interest rate swap agreements at June 30, 2026	**$11,734**	**$627**	**$12,361**

Table 12.1b: Interest rate swap agreements activity in 2025 *(in thousands of dollars)*

Description	Los Angeles	San Francisco	Total
Interest rate swap agreements at June 30, 2024	$13,159	$895	$14,054
Additions	3,104	322	3,426
Interest rate swap agreements at June 30, 2025	**$16,263**	**$1,217**	**$17,480**

Self-insurance

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

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

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Prior to the integration of the CHRCO employees into the University effective July 2025, CHRCO maintained separate insurance policies including coverage for medical malpractice, workers' compensation, and employee health benefits. Claims and related expenses associated with this coverage period are paid directly by CHRCO subject to various per-claim and aggregate limits, with excess liability coverage provided by independent insurers.

Tables 12.2a through **12.2c** present CHRCO's self-insurance activity in 2026 and 2025 and 2024, respectively.

Table 12.2a: CHRCO Self-insurance activity in 2026 *(in thousands of dollars)*

Description	Medical malpractice	Workers' compensation	Employee healthcare	Total
Liabilities at June 30, 2025	$2,546	$15,440	$1,869	$19,855
Claims incurred and changes in estimates	(1,115)	2,238	95	1,218
Claim payments	(232)	(3,706)	(1,450)	(5,388)
Liabilities at June 30, 2026	**$1,199**	**$13,972**	**$514**	**$15,685**
Discount rate	**Undiscounted**	**5.0%**	**Undiscounted**	

Table 12.2b: CHRCO Self-insurance activity in 2025 *(in thousands of dollars)*

Description	Medical malpractice	Workers' compensation	Employee healthcare	Total
Liabilities at June 30, 2024	$6,639	$13,492	$1,893	$22,024
Claims incurred and changes in estimates	(3,738)	5,941	12,275	14,478
Claim payments	(355)	(3,993)	(12,299)	(16,647)
Liabilities at June 30, 2025	**$2,546**	**$15,440**	**$1,869**	**$19,855**
Discount rate	**Undiscounted**	**5.0%**	**Undiscounted**	

Table 12.2c: CHRCO Self-insurance activity in 2024 *(in thousands of dollars)*

Description	Medical malpractice	Workers' compensation	Employee healthcare	Total
Liabilities at June 30, 2023	$5,622	$11,953	$1,929	$19,504
Claims incurred and changes in estimates	1,214	5,121	10,786	17,121
Claim payments	(197)	(3,582)	(10,822)	(14,601)
Liabilities at June 30, 2024	**$6,639**	**$13,492**	**$1,893**	**$22,024**
Discount rate	**Undiscounted**	**5.0%**	**Undiscounted**	

CHRCO has two irrevocable letters of credit with a bank totaling $5.4 million as of June 30, 2026, which are mostly security for the workers' compensation large dollar insurance deductible. No amounts were drawn on the letters of credit as of June 30, 2026.

Compensated Absences

Tables 12.3a and **12.3b** present the Medical Centers' compensated absences activity in 2026 and 2025, respectively.

Table 12.3a: Compensated absences activity in 2026 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Compensated absences at June 30, 2025	$142,084	$100,285	$182,150	$90,119	$266,538	$781,176
Net change	13,572	23,118	13,914	7,324	(1,973)	55,955
Compensated absences at June 30, 2026	155,656	123,403	196,064	97,443	264,565	837,131
Less: Current portion	(80,564)	(93,821)	(175,840)	(79,501)	(195,064)	(624,790)
Noncurrent portion at June 30, 2026	**$75,092**	**$29,582**	**$20,224**	**$17,942**	**$69,501**	**$212,341**

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Table 12.3b: Compensated absences activity in 2025 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Compensated absences at June 30, 2024	$133,376	$72,027	$164,346	$81,251	$219,725	$670,725
Net change	8,708	28,258	17,804	8,868	46,813	110,451
Compensated absences at June 30, 2025	142,084	100,285	182,150	90,119	266,538	781,176
Less: Current portion	(75,937)	(73,342)	(160,387)	(72,028)	(194,060)	(575,754)
Noncurrent portion at June 30, 2025	**$66,147**	**$26,943**	**$21,763**	**$18,091**	**$72,478**	**$205,422**

Other Noncurrent Liabilities

Tables 12.4a and **12.4b** present the Medical Centers' other noncurrent liabilities activity in 2026 and 2025, respectively.

Table 12.4a: Other noncurrent liabilities activity in 2026 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Compensated absences at June 30, 2025	$66,147	$26,943	$21,763	$18,091	$72,478	$205,422
Net change	8,945	2,639	(1,539)	(149)	(2,977)	6,919
Compensated absences at June 30, 2026	**75,092**	**29,582**	**20,224**	**17,942**	**69,501**	**212,341**
Other noncurrent liabilities excluding compensated absences at June 30, 2025	5,701	338		39,406	11,741	57,186
Additions	144			18,248	218	18,610
Reductions		(80)		(866)	(774)	(1,720)
Other noncurrent liabilities excluding compensated absences at June 30, 2026	**5,845**	**258**		**56,788**	**11,185**	**74,076**
Other noncurrent liabilities at June 30, 2025	71,848	27,281	21,763	57,497	84,219	262,608
Compensated absences	8,945	2,639	(1,539)	(149)	(2,977)	6,919
Other noncurrent liabilities excluding compensated absences	(5,557)	(80)		17,382	(556)	11,189
Other noncurrent liabilities at June 30, 2026	**$75,236**	**$29,840**	**$20,224**	**$74,730**	**$80,686**	**$280,716**

Table 12.4b: Other noncurrent liabilities activity in 2025 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Compensated absences at June 30, 2024	$52,240	$30,337	$22,382	$17,672	$79,628	$202,259
Net change	13,907	(3,394)	(619)	419	(7,150)	3,163
Compensated absences at June 30, 2025	**66,147**	**26,943**	**21,763**	**18,091**	**72,478**	**205,422**
Other noncurrent liabilities excluding compensated absences at June 30, 2024	64,241			36,648	10,187	111,076
Additions		338		3,434	10,030	13,802
Reductions	(58,540)			(676)	(8,476)	(67,692)
Other noncurrent liabilities excluding compensated absences at June 30, 2025	**5,701**	**338**		**39,406**	**11,741**	**57,186**
Other noncurrent liabilities at June 30, 2024	116,481	30,337	22,382	54,320	89,815	313,335
Compensated absences	13,907	(3,394)	(619)	419	(7,150)	3,163
Other noncurrent liabilities excluding compensated absences	(58,540)	338		2,758	1,554	(53,890)
Other noncurrent liabilities at June 30, 2025	**$71,848**	**$27,281**	**$21,763**	**$57,497**	**$84,219**	**$262,608**

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13. Transactions with Other University Entities

Services purchased from the University include office and medical supplies, building maintenance, repairs and maintenance, administrative, treasury, medical services and insurance. Services provided to the University include physician office rentals, pharmaceuticals, billing services, medical supplies and cafeteria services. Such amounts are netted and reported in the statements of revenues, expenses and changes in net position for the years ended June 30 as presented in **Tables 13.1a** and **13.1b**:

Tables 13.1a and **13.1b** present transactions with other University entities in 2026 and 2025, respectively.

Table 13.1a: Transactions of (income) expenses with other University entities in 2026 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Other employee benefits	$14,461	$54,890	$46,523	$29,204	($2,331)	$142,747
Professional services	68,159	8,049	1,037	107,888	1,590,879	1,776,012
Other supplies and purchased services	(21,753)	167,768	64,584	100,088	137,773	448,460
Insurance and other	13,576	36,575	49,924	33,776	39,512	173,363
Interest income, net	(45,352)	(15,384)	(117,494)	(18,475)	(130,351)	(327,056)
Total	**$29,091**	**$251,898**	**$44,574**	**$252,481**	**$1,635,482**	**$2,213,526**

Table 13.1b: Transactions of (income) expenses with other University entities in 2025 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Other employee benefits	$14,628	$32,170	$42,461	$25,876	($1,078)	$114,057
Professional services	68,464	7,392	739	104,396	1,424,091	1,605,082
Other supplies and purchased services	21,284	113,453	138,996	92,656	129,749	496,138
Insurance and other	23,472	27,974	44,996	27,642	28,720	152,804
Interest income, net	(44,968)	(22,334)	(112,845)	(13,363)	(146,396)	(339,906)
Total	**$82,880**	**$158,655**	**$114,347**	**$237,207**	**$1,435,086**	**$2,028,175**

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

Tables 13.2a and **13.2b** present payments between the Medical Centers and the University in 2026 and 2025, respectively.

Table 13.2a: Payments to the University in 2026 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Reported as operating expenses	$29,091	$251,898	$44,574	$252,481	$1,635,482	$2,213,526
Reported as health system support	174,710	186,779	473,818	383,310	146,904	1,365,521
Total payments to the University	**$203,801**	**$438,677**	**$518,392**	**$635,791**	**$1,782,386**	**$3,579,047**

Table 13.2b: Payments to the University in 2025 *(in thousands of dollars)*

Description	Davis	Irvine	Los Angeles	San Diego	San Francisco	Total
Reported as operating expenses	$82,880	$158,655	$114,347	$237,207	$1,435,086	$2,028,175
Reported as health system support	127,724	240,606	495,773	281,782	146,448	1,292,333
Total payments to the University	**$210,604**	**$399,261**	**$610,120**	**$518,989**	**$1,581,534**	**$3,320,508**

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14. Component Unit Information

Tables 14.1a through **14.3a** present condensed combining financial statement for San Francisco at and for the year ended June 30, 2026.

Table 14.1a: Condensed statement of net position at June 30, 2026 *(in thousands of dollars)*

Description	UCSF *(Primary government)*	CHRCO	UCSF Health Community Hospitals	Eliminations	San Francisco total
Current assets	$5,159,748	$474,520	$188,682	($818)	$5,822,132
Capital assets, net	4,149,063	723,601	157,129	(2,959)	5,026,834
Net pension asset		187,247			187,247
Other assets	596,927	479,987	27,664	(2,252)	1,102,326
Total assets	**9,905,738**	**1,865,355**	**373,475**	**(6,029)**	**12,138,539**
Total deferred outflows of resources	**1,481,091**	**93,662**	**6,706**		**1,581,459**
Current liabilities	1,876,698	250,462	92,132	(736)	2,218,556
Long-term debt, net of current portion	3,024,097	306,674	4,028	(2,473)	3,332,326
Other noncurrent liabilities	3,856,750	21,864	13,515		3,892,129
Total liabilities	**8,757,545**	**579,000**	**109,675**	**(3,209)**	**9,443,011**
Total deferred inflows of resources	**3,026,585**	**143,848**	**30,480**	**(2,820)**	**3,198,093**
Net investment in capital assets	1,561,178	409,732	151,871	245	2,123,026
Restricted: Nonexpendable endowments and gifts		38,323			38,323
Restricted: Expendable	24,066	83,916	29		108,011
Unrestricted	(1,982,545)	704,198	88,126	(245)	(1,190,466)
Total net position	**($397,301)**	**$1,236,169**	**$240,026**		**$1,078,894**

Table 14.2a: Condensed statement of revenues, expenses and changes in net position for the year ended June 30, 2026 *(in thousands of dollars)*

Description	UCSF *(Primary government)*	CHRCO	UCSF Health Community Hospitals	Eliminations	San Francisco total
Net patient service revenue	$8,123,061	$751,214	$427,477	($32,258)	$9,269,494
Other operating revenue	479,685	36,873	18,273	(1,399)	533,432
Operating expenses before depreciation	(7,521,412)	(851,506)	(592,093)	(76)	(8,965,087)
Depreciation expense	(199,418)	(41,227)	(6,859)	1,339	(246,165)
Operating income (loss)	**881,916**	**(104,646)**	**(153,202)**	**(32,394)**	**591,674**
Noncapital subsidies	(322,525)	58,807	182,357	32,287	(49,074)
Income (loss) from operations and noncapital subsidies	**559,391**	**(45,839)**	**29,155**	**(107)**	**542,600**
Other nonoperating revenues (expenses)	39,265	108,104	(54)	107	147,422
Change in net position	**598,656**	**62,265**	**29,101**		**690,022**
Net position: Beginning of year	(995,957)	1,173,904	210,925		388,872
Net position: End of year	**($397,301)**	**$1,236,169**	**$240,026**		**$1,078,894**

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Table 14.3a: Condensed statement of cash flows for the year ended June 30, 2026 *(in thousands of dollars)*

Description	UCSF *(Primary government)*	CHRCO	UCSF Health Community Hospitals	Eliminations	San Francisco total
Net cash provided (used) by:					
Operating activities	$1,226,085	($168,533)	($143,766)	($35,490)	$878,296
Noncapital financing activities	(359,427)	55,133	182,357	33,822	(88,115)
Capital and related financing activities	(87,760)	45,087	(38,568)	1,668	(79,573)
Investing activities	(178,252)	3,031			(175,221)
Net change in cash and cash equivalents	**600,646**	**(65,282)**	**23**		**535,387**
Cash and cash equivalents: Beginning of year	2,684,713	271,874	22		2,956,609
Cash and cash equivalents: End of year	**$3,285,359**	**$206,592**	**$45**		**$3,491,996**

Tables 14.1b through **14.3b** present condensed combining financial statement of San Francisco at and for the year ended June 30, 2025.

Table 14.1b: Condensed statement of net position at June 30, 2025 *(in thousands of dollars)*

Description	UCSF *(Primary government)*	CHRCO	UCSF Health Community Hospitals	Eliminations	San Francisco total
Current assets	$4,433,144	$458,994	$157,079	($925)	$5,048,292
Capital assets, net	3,737,710	595,183	124,638	(3,291)	4,454,240
Net pension asset		174,868			174,868
Other assets	284,753	402,206	35,762	(2,521)	720,200
Total assets	**8,455,607**	**1,631,251**	**317,479**	**(6,737)**	**10,397,600**
Total deferred outflows of resources	**1,456,595**	**45,791**	**7,167**		**1,509,553**
Current liabilities	1,641,804	258,091	61,728	(896)	1,960,727
Long-term debt, net of current portion	2,441,546	124,395	3,306	(2,428)	2,566,819
Other noncurrent liabilities	4,911,700	28,606	9,165		4,949,471
Total liabilities	**8,995,050**	**411,092**	**74,199**	**(3,324)**	**9,477,017**
Total deferred inflows of resources	**1,913,109**	**92,046**	**39,522**	**(3,413)**	**2,041,264**
Net investment in capital assets	1,441,527	466,223	120,652	3	2,028,405
Restricted: Nonexpendable endowments and gifts		35,460			35,460
Restricted: Expendable	24,443	78,361	878		103,682
Unrestricted	(2,461,927)	593,860	89,395	(3)	(1,778,675)
Total net position	**($995,957)**	**$1,173,904**	**$210,925**		**$388,872**

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Table 14.2b: Condensed statement of revenues, expenses and changes in net position for the year ended June 30, 2025
(in thousands of dollars)

Description	UCSF *(Primary government)*	CHRCO	UCSF Health Community Hospitals	Eliminations	San Francisco total
Net patient service revenue	$7,403,761	$711,520	$340,846	($37,463)	$8,418,664
Other operating revenue	438,956	33,877	17,730	(954)	489,609
Operating expenses before depreciation	(7,007,146)	(655,949)	(477,572)	126	(8,140,541)
Depreciation expense	(198,488)	(36,173)	(642)	826	(234,477)
Operating income (loss)	**637,083**	**53,275**	**(119,638)**	**(37,465)**	**533,255**
Noncapital subsidies	(599,640)	149,633	343,653	37,461	(68,893)
Income (loss) from operations and noncapital subsidies	**37,443**	**202,908**	**224,015**	**(4)**	**464,362**
Other nonoperating revenues (expenses)	21,515	51,301	(13,090)	4	59,730
Change in net position	58,958	254,209	210,925		524,092
Net position: Beginning of year	(1,054,915)	919,695			(135,220)
Net position: End of year	**($995,957)**	**$1,173,904**	**$210,925**		**$388,872**

Table 14.3b: Condensed statement of cash flows for the year ended June 30, 2025 *(in thousands of dollars)*

Description	UCSF *(Primary government)*	CHRCO	UCSF Health Community Hospitals	Eliminations	San Francisco total
Net cash provided (used) by:					
Operating activities	$718,162	$4,614	($250,220)	($38,335)	$434,221
Noncapital financing activities	(443,242)	145,012	343,653	37,463	82,886
Capital and related financing activities	(730,502)	(84,797)	(93,411)	872	(907,838)
Investing activities	547,194	10,503			557,697
Net change in cash and cash equivalents	**91,612**	**75,332**	**22**		**166,966**
Cash and cash equivalents: Beginning of year	2,593,101	196,542			2,789,643
Cash and cash equivalents: End of year	**$2,684,713**	**$271,874**	**$22**		**$2,956,609**

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15. Commitments and Contingencies

Contractual Commitments

The Medical Centers have entered into various construction contracts. **Table 15** presents the estimated remaining costs of the Medical Center projects, excluding interest, at June 30, 2026.

Table 15: Construction contracts *(in thousands of dollars)*

Location	Total
Davis	$1,817,897
Irvine	128,299
Los Angeles	92,166
San Diego	26,307
San Francisco	3,026,889
Total	**$5,091,558**

Under an agreement with a private, nonprofit hospital, UCSF Medical Center committed to providing $90.0 million in aggregate capital investments through a series of newly formed joint ventures with the hospital over the course of the initial 10 years of the agreement. At June 30, 2026, UCSF Medical Center deposited $30.0 million to a designated bank account for this purpose with the amount reported as prepaid expenses and other assets. An additional service agreement was signed for UCSF Medical Center to operate certain outpatient clinics whose sole corporate member is the same nonprofit hospital.

Contingencies

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

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

The Regents continues to monitor the federal government's actions with respect to the higher education sector and, in particular, the University. Such actions may have the direct or indirect effect of, among other things, reducing federal support for the University's research or other operations, reducing the University's fundraising or other revenue sources, and/or increasing costs borne by the University, and include or could possibly include, but are not limited to: investigations by governmental agencies, Congress or others into allegations of discrimination and harassment and related corrective or enforcement actions; regulatory changes to programs administered by federal agencies; suspensions, terminations, funding draw rejections and stop-work orders of various federal grants and contracts pursuant to certain executive orders, departmental memos and other governmental actions.

It is unclear how the matters described herein (and other or future federal actions) will ultimately impact the University, including its operations, financial condition and reputation. The University cannot predict if any of the federal actions will continue and for how long, if any potential resolutions may arise, the consequences and impacts of such actions, or whether any new federal actions may be proposed or pursued by the current or future administration or legislature.

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16. Subsequent Events

In July 2026, the Regents, on behalf of UC San Diego Health, and Palomar Health District (District) finalized an agreement which completed the formation of a Joint Powers Authority (JPA). Operating as Palomar UC San Diego Health, the JPA is intended to stabilize and enhance patient care in North San Diego County, a region with nearly one million people. The District immediately contributed 49.0 percent of its assets to the JPA and granted it the right to use the remaining 51.0 percent.

California law requires voter approval by public ballot for transfers of 50.0 percent or more of a local hospital district's assets to certain entities. On August 31, 2026, the California Legislature passed a trailer bill providing an exemption for the District's transfer of its remaining assets to the JPA, subject to conditions including two public hearings and an informational report filed with the California Attorney General. Completion of these requirements and the remaining asset transfer is expected near the end of calendar year 2026.

UC San Diego Medical Center provided $90.0 million in support through June 30, 2026. The Medical Center has also pledged an additional $160.0 million to the JPA for capital projects and physician expansion, with contributions expected over a two- to five-year period.

The Medical Centers have evaluated subsequent events through November 20, 2026, the date on which the financial statements were available to be issued.

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Required Supplementary Information

(Unaudited)

UCRP

UCRP RSI Table 1 presents the Medical Centers' proportionate share of UCRP's net pension liability for the past 10 years.

UCRP RSI Table 1: Medical Centers' proportionate share of UCRP's net pension liability at June 30 *(in thousands of dollars)*

Description	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
Davis					
2026	7.2%	$37,557	$1,413,471	2.7%	99.6%
2025	7.3	906,354	1,340,951	67.6	90.1
2024	7.8	1,344,486	1,294,944	103.8	84.9
2023	7.8	1,529,126	1,159,655	131.9	81.2
2022	7.6	1,527,815	1,026,636	148.8	79.3
2021	7.1	472,294	914,099	51.7	93.9
2020	6.7	1,368,556	854,960	160.1	76.6
2019	6.7	1,151,862	793,442	145.2	79.5
2018	6.8	643,552	791,832	81.3	87.2
2017	6.7	675,141	732,307	92.2	85.2
Irvine					
2026	6.3%	$32,924	$1,239,091	2.7%	99.6%
2025	5.7	713,030	1,054,928	67.6	90.1
2024	5.3	923,324	656,512	140.6	84.9
2023	3.4	667,084	505,902	131.9	81.2
2022	3.3	670,850	450,787	148.8	79.3
2021	3.2	215,278	416,658	51.7	93.9
2020	3.1	632,665	395,237	160.1	76.6
2019	3.0	519,523	357,866	145.2	79.5
2018	3.0	279,015	343,303	81.3	87.2
2017	3.2	321,946	349,207	92.2	85.2
Los Angeles					
2026	7.3%	$38,233	$1,438,905	2.7%	99.6%
2025	7.1	878,703	1,300,041	67.6	90.1
2024	6.9	1,194,585	1,135,462	105.2	84.9
2023	7.0	1,374,737	1,042,570	131.9	81.2
2022	7.1	1,430,028	960,926	148.8	79.3
2021	7.2	478,616	926,335	51.7	93.9
2020	7.1	1,451,711	906,908	160.1	76.6
2019	7.2	1,245,807	858,155	145.2	79.5
2018	7.5	706,286	869,020	81.3	87.2
2017	7.3	741,290	804,058	92.2	85.2

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UCRP RSI Table 1: Medical Centers' proportionate share of UCRP's net pension liability at June 30 *(in thousands of dollars) (continued)*

Description	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
San Diego					
2026	5.9%	$30,735	$1,156,700	2.7%	99.6%
2025	5.8	721,891	1,068,037	67.6	90.1
2024	5.9	1,024,015	939,432	109.0	84.9
2023	5.5	1,078,132	817,631	131.9	81.2
2022	5.5	1,108,138	744,628	148.8	79.3
2021	5.3	353,179	683,559	51.7	93.9
2020	5.1	1,048,715	655,150	160.1	76.6
2019	4.9	844,319	581,596	145.2	79.5
2018	4.9	460,577	566,698	81.3	87.2
2017	4.5	459,781	498,712	92.2	85.2
San Francisco					
2026	12.8%	$66,886	$2,503,411	2.7%	99.6%
2025	12.4	1,538,771	2,047,730	75.1	90.1
2024	10.4	1,800,362	1,734,021	103.8	84.9
2023	11.1	2,164,448	1,641,469	131.9	81.2
2022	10.8	2,175,275	1,461,705	148.8	79.3
2021	10.3	688,043	1,331,669	51.7	93.9
2020	9.9	2,022,619	1,263,564	160.1	76.6
2019	9.6	1,643,970	1,132,424	145.2	79.5
2018	9.4	886,409	1,090,645	81.3	87.2
2017	9.1	919,943	997,838	92.2	85.2
Total					
2026	39.5%	$206,335	$7,751,578	2.7%	99.6%
2025	38.3	4,758,749	6,811,687	69.9	90.1
2024	36.3	6,286,772	5,760,371	109.1	84.9
2023	34.8	6,813,527	5,167,227	131.9	81.2
2022	34.3	6,912,106	4,644,682	148.8	79.3
2021	33.1	2,207,410	4,272,320	51.7	93.9
2020	31.9	6,524,266	4,075,819	160.1	76.6
2019	31.4	5,405,481	3,723,483	145.2	79.5
2018	31.6	2,975,839	3,661,498	81.3	87.2
2017	30.8	3,118,101	3,382,122	92.2	85.2

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Notes to Required Supplementary Information for the Year Ended June 30, 2026: 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 ended June 30, 2026, that significantly affected the total pension liability.

Changes in Assumptions

Actuarial assumptions were changed twice during the 10-year period ended June 30, 2026, 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.

CHRCO Pension Plan

CHRCO RSI Tables 1a and **1b** show the schedule of changes in the net pension liability for the CHRCO Pension Plan as of June 30 for the past 10 years.

CHRCO RSI Table 1a: Changes in net pension liability (asset) of the CHRCO Pension Plan for the five years ended 2026
(in thousands of dollars)

Description	2026	2025	2024	2023	2022
Total pension liability					
Service cost	$7,979	$14,263	$14,012	$14,159	$15,775
Interest on the total pension liability	40,883	48,326	45,927	44,522	42,159
Changes of benefit terms		(135,792)	3,805		
Difference between expected and actual experience	13,017	4,631	23,722	6,851	1,058
Changes of assumptions or other inputs	69,756	21,940	(6,149)	(23,590)	(22,525)
Benefits paid, including refunds of employee contributions	(34,042)	(29,566)	(65,531)	(25,027)	(22,683)
Net change in total pension liability (asset)	**97,593**	**(76,198)**	**15,786**	**16,915**	**13,784**
Total pension liability, beginning of year	614,438	690,636	674,850	657,935	644,151
Total pension liability, end of year	**$712,031**	**$614,438**	**$690,636**	**$674,850**	**$657,935**
Plan net position					
Contributions, employer	$18,600	$41,800	$46,500	$41,400	$37,452
Net investment income	127,250	89,585	90,743	73,339	(94,275)
Benefits paid, including refunds of employee contributions	(34,042)	(29,566)	(65,531)	(25,027)	(22,683)
Administrative expense	(1,836)	(3,102)	(4,979)	(4,073)	(4,062)
Net change in plan net position	**109,972**	**98,717**	**66,733**	**85,639**	**(83,568)**
Plan net position, beginning of year	789,306	690,589	623,856	538,217	621,785
Plan net position, end of year	**899,278**	**789,306**	**690,589**	**623,856**	**538,217**
Net pension liability (asset), end of year	**($187,247)**	**($174,868)**	**$47**	**$50,994**	**$119,718**

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CHRCO RSI Table 1b: Changes in net pension liability (asset) of the CHRCO Pension Plan for the five years ended 2021
(in thousands of dollars)

Description	2021	2020	2019	2018	2017
Total pension liability					
Service cost	$14,873	$12,648	$11,430	$11,304	$9,910
Interest on the total pension liability	38,932	36,005	34,165	31,854	29,672
Changes of benefit terms				92	33
Difference between expected and actual experience	18,527	23,581	5,214	3,609	2,442
Changes of assumptions or other inputs	(2,413)	28,609	(9,540)		
Benefits paid, including refunds of employee contributions	(19,684)	(17,262)	(15,143)	(12,802)	(11,767)
Net change in total pension liability	**50,235**	**83,581**	**26,126**	**34,057**	**30,290**
Total pension liability, beginning of year	593,916	510,335	484,209	450,152	419,862
Total pension liability, end of year	**$644,151**	**$593,916**	**$510,335**	**$484,209**	**$450,152**
Plan net position					
Contributions, employer	$31,752	$31,200	$31,200	$33,600	$28,800
Net investment income	111,835	(7,468)	25,203	33,269	41,256
Benefits paid, including refunds of employee contributions	(19,684)	(17,262)	(15,143)	(12,802)	(11,767)
Administrative expense	(3,600)	(3,598)	(2,711)	(3,014)	(2,727)
Net change in plan net position	**120,303**	**2,872**	**38,549**	**51,053**	**55,562**
Plan net position, beginning of year	501,482	498,610	460,061	409,008	353,446
Plan net position, end of year	**621,785**	**501,482**	**498,610**	**460,061**	**409,008**
Net pension liability, end of year	**$22,366**	**$92,434**	**$11,725**	**$24,148**	**$41,144**

CHRCO RSI Tables 2a and **2b** present the net pension liability (asset) of the CHRCO Pension Plan in the past 10 years.

CHRCO RSI Table 2a: Net pension liability (asset) of the CHRCO Pension Plan for the five years ended 2026 *(in thousands of dollars)*

Description	2026	2025	2024	2023	2022
Total pension liability	$712,031	$614,438	$690,636	$674,850	$657,935
Plan net position	899,278	789,306	690,589	623,856	538,217
Net pension liability (asset)	**($187,247)**	**($174,868)**	**$47**	**$50,994**	**$119,718**
Ratio of plan net position to total pension liability	126.3%	128.5%	100.0%	92.4%	81.8%
Covered payroll	$301,757	$285,119	$245,944	$224,898	$214,184
Net pension liability as a percentage of covered payroll	(62.1)%	N/A	0.0%	22.7%	55.9%

CHRCO RSI Table 2b: Net pension liability of the CHRCO Pension Plan for the five years ended 2021 *(in thousands of dollars)*

Description	2021	2020	2019	2018	2017
Total pension liability	$644,151	$593,916	$510,335	$484,209	$450,152
Plan net position	621,785	501,482	498,610	460,061	409,008
Net pension liability	**$22,366**	**$92,434**	**$11,725**	**$24,148**	**$41,144**
Ratio of plan net position to total pension liability	96.5%	84.4%	97.7%	95.0%	90.9%
Covered payroll	$220,208	$209,596	$190,599	$187,639	$184,083
Net pension liability as a percentage of covered payroll	10.2%	44.1%	6.2%	12.9%	22.4%

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CHRCO RSI Tables 3a and **3b** present employer contributions to the CHRCO Pension Plan as of June 30 in the past 10 years.

CHRCO RSI Table 3a: Employer contributions to the CHRCO Pension Plan for the five years ended 2026 *(in thousands of dollars)*

Description	2026	2025	2024	2023	2022
Actuarially calculated employer contributions	$14,470	$33,030	$34,660	$17,990	$11,050
Contributions in relation to the actuarially calculated employer contribution	18,600	41,800	46,500	41,400	37,452
Annual contribution (excess) deficiency	**($4,130)**	**($8,770)**	**($11,840)**	**($23,410)**	**($26,402)**
Covered payroll	$301,757	$285,119	$245,944	$224,898	$214,184
Actual contributions as a percentage of covered payroll	6.2%	14.7%	18.9%	18.4%	17.5%

CHRCO RSI Table 3b: Employer contributions to the CHRCO Pension Plan for the five years ended 2021 *(in thousands of dollars)*

Description	2021	2020	2019	2018	2017
Actuarially calculated employer contributions	$15,270	$22,070	$17,870	$7,710	$5,642
Contributions in relation to the actuarially calculated employer contribution	31,752	31,200	31,200	33,600	28,800
Annual contribution (excess) deficiency	**($16,482)**	**($9,130)**	**($13,330)**	**($25,890)**	**($23,158)**
Covered payroll	$220,208	$209,596	$190,599	$187,639	$184,083
Actual contributions as a percentage of covered payroll	14.4%	14.9%	16.4%	17.9%	15.6%

CHRCO RSI Table 4: Methods and assumptions used to determine contribution rates

Methods and assumptions	Description
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. For the fiscal year ended June 30, 2026, the valuation dates are January 1, 2026 for the Rep Plan, and July 1, 2025 for the Unrep Plan.
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. The contributions reflect the Highway and Transportation Funding Act of 2014. The contribution for July 1, 2020 and after reflects the American Rescue Plan Act of 2021 (ARPA).
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. UC will make any required contributions to the plan under IRC Section 430's minimum requirements; however, starting 2026, no future contributions are currently anticipated to be required under IRC Section 430.
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 the Pension Protection Act (PPA) of 2006
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 year's 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% for Unrep 7/1/2025 valuation; 2.75% for Rep 1/1/2026 valuation
Investment rate of return	Rep Plan 1/1/2026 valuation: 6.75% (2025 EROA assumption limited to the 3rd segment rate applicable for each year)
	Unrep Plan 7/1/2025 valuation: 7.00% (2024 EROA assumption limited to the 3rd segment rate applicable for each year)
Projected salary increases	Represented employees 1/1/2026 valuation assumption: 4.35% for FYE 2026 annually thereafter until December 31, 2030
	Unrepresented employees 7/1/2025 valuation assumption: 4.20% for FYE 2025, and 3.50% for FYE 2026 annually thereafter
	Salary increase assumption includes inflation
Cost-of-living adjustments	None
Mortality	IRS generational mortality table prescribed under IRC 430 for the valuation year.
Remarks	Note that the above assumptions are for the 2026 plan year for the Rep Plan and 2025 plan year for the Unrep Plan.

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Notes to Required Supplementary Information for the Year Ended June 30, 2026: CHRCO Pension Plan

Changes of Benefit Terms

The CHRCO Pension Plan was amended during the fiscal year ended June 30, 2025 to close the CHRCO Pension Plan to new participants effective July 6, 2025, freeze credited service for benefit accrual purposes as of July 5, 2025, freeze pay for benefit accrual purposes after June 30, 2030 for unrepresented employees and December 31, 2030 for represented employees and provide partial benefit service for participants working between 500 and 999 hours during 2025 for represented employees. Certain employees also transferred out of the CHRCO Pension plan due to a change in employment status.

Change in Assumption

The long-term expected return on plan assets (which is also used to discount plan liabilities) was revised from 7.0% as of June 30, 2024 to 6.75% as of June 30, 2025 and 6.0% as of June 30, 2026 to better reflect the expected future anticipated experience.

OCERS

OCERS RSI Table 1 presents Irvine's proportionate share of OCERS' net pension liability for which data is available.

OCERS RSI Table 1: Irvine's proportionate share of OCERS' net pension liability at June 30 *(in thousands of dollars)*

Description	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2026	0.4%	$7,334			82.8%
2025	0.3	10,711			75.9
2024	0.3	13,278			71.8
2023	0.3	14,657			69.6
2022	0.4	8,567			82.8
2021	0.3	12,669			75.4
2020	0.3	15,107			71.6
2019	0.3	17,404			67.9
2018	0.3	13,822	$15	92,146.7%	75.1
2017	0.3	18,057	44	41,038.6	69.0

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Retiree Health Benefits

Retiree Health Benefits RSI Table 1 presents the Medical Centers' proportionate share of UCRHBT's net retiree health benefits liability.

Retiree Health Benefits RSI Table 1: Medical Centers' proportionate share of UCRHBT's net retiree health benefits liability at June 30 *(in thousands of dollars)*

Description	Proportion of the net retiree health benefits liability	Proportionate share of the net retiree health benefits liability	Covered payroll	Proportionate share of the net retiree health benefits liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total retiree health benefits liability
Davis					
2026	7.1%	$1,619,421	$1,600,550	101.2%	1.3%
2025	6.9	1,326,900	1,452,691	91.3	1.4
2024	7.4	1,495,319	1,397,892	107.0	1.1
2023	7.5	1,621,188	1,246,816	130.0	0.9
2022	7.3	1,429,502	1,099,068	130.1	0.9
2021	7.0	1,705,269	957,674	178.1	0.7
2020	6.6	1,534,830	868,923	176.6	0.7
2019	6.6	1,268,189	816,000	155.4	0.8
2018	6.7	1,215,567	804,821	151.0	0.7
2017	6.6	1,227,803	735,904	166.8	0.6
Irvine					
2026	6.0%	$1,364,989	$1,349,128	101.2%	1.3%
2025	5.4	1,048,980	1,148,386	91.3	1.4
2024	5.2	1,050,984	708,655	148.3	1.1
2023	3.2	702,471	540,269	130.0	0.9
2022	3.2	623,548	479,449	130.1	0.9
2021	3.2	775,408	435,426	178.1	0.7
2020	3.1	713,600	404,077	176.6	0.7
2019	3.0	572,706	368,444	155.4	0.8
2018	3.0	548,548	363,214	151.0	0.7
2017	3.1	574,394	344,334	166.8	0.6
Los Angeles					
2026	7.1%	$1,606,029	$1,587,294	101.2%	1.3%
2025	6.7	1,284,010	1,405,695	91.3	1.4
2024	6.6	1,343,961	1,220,045	110.2	1.1
2023	6.7	1,448,495	1,113,991	130.0	0.9
2022	6.8	1,338,495	1,029,110	130.1	0.9
2021	7.1	1,723,183	967,713	178.1	0.7
2020	7.0	1,623,943	919,462	176.6	0.7
2019	7.1	1,358,829	874,296	155.4	0.8
2018	7.7	1,404,685	930,071	151.0	0.7
2017	7.6	1,422,069	852,389	166.8	0.6
San Diego					
2026	5.6%	$1,278,968	$1,263,945	101.2%	1.3%
2025	5.5	1,054,942	1,155,067	91.3	1.4
2024	5.6	1,139,851	1,008,027	113.1	1.1
2023	5.2	1,133,878	872,152	130.0	0.9
2022	5.3	1,028,874	791,102	130.1	0.9
2021	5.3	1,271,447	714,031	178.1	0.7
2020	5.2	1,193,191	675,577	176.6	0.7
2019	4.8	932,379	599,852	155.4	0.8
2018	4.8	867,819	574,571	151.0	0.7
2017	4.5	835,720	500,922	166.8	0.6

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Retiree Health Benefits RSI Table 1: Medical Centers' proportionate share of UCRHBT's net retiree health benefits liability at June 30 *(in thousands of dollars) (continued)*

Description	Proportion of the net retiree health benefits liability	Proportionate share of the net retiree health benefits liability	Covered payroll	Proportionate share of the net retiree health benefits liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total retiree health benefits liability
San Francisco					
2026	12.3%	$2,784,223	$2,740,826	101.6%	1.3%
2025	12.1	2,329,719	2,250,807	103.5	1.4
2024	9.9	2,018,376	1,886,816	107.0	1.1
2023	10.7	2,324,959	1,788,161	130.0	0.9
2022	10.4	2,041,112	1,569,364	130.1	0.9
2021	10.3	2,493,992	1,400,659	178.1	0.7
2020	10.6	2,463,690	1,394,885	176.6	0.7
2019	10.1	1,945,198	1,251,556	155.4	0.8
2018	9.8	1,789,855	1,185,071	151.0	0.7
2017	9.5	1,777,540	1,065,427	166.8	0.6
Total					
2026	38.1%	$8,653,630	$8,541,743	101.3%	1.3%
2025	36.6	7,044,551	7,412,646	95.0	1.4
2024	34.7	7,048,491	6,221,435	113.3	1.1
2023	33.3	7,230,991	5,561,389	130.0	0.9
2022	33.0	6,461,531	4,968,093	130.1	0.9
2021	32.9	7,969,299	4,475,503	178.1	0.7
2020	32.5	7,529,254	4,262,924	176.6	0.7
2019	31.6	6,077,301	3,910,148	155.4	0.8
2018	32.0	5,826,474	3,857,748	151.0	0.7
2017	31.3	5,837,526	3,498,976	166.8	0.6

Retiree Health Benefits RSI Table 2: Changes of benefit terms and changes in assumptions or other inputs

Notes to schedule	Description
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 in assumptions or other inputs	Changes in assumptions or other inputs primarily reflect the effects of changes in the discount rate and healthcare cost trend rate in each period. The following are the healthcare cost trend assumptions used in each period:

As of June 30	Healthcare cost trend rate
2026	2.0% to 13.39% decreasing to 3.9% in 2075
2025	1.01% to 20.7% decreasing to 3.9% in 2075
2024	0.2% to 20.5% decreasing to 3.9% in 2076
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

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Accessible Appendix

Display 1: Net patient service revenue and other operating revenue *(in millions of dollars)*

Location	Year	Net patient service revenue	Other operating revenue
Davis	2026	$3,940	$209
	2025	3,865	199
	2024	3,576	167
Irvine	2026	3,734	231
	2025	3,372	205
	2024	2,282	157
Los Angeles	2026	4,816	667
	2025	4,401	622
	2024	3,804	393
San Diego	2026	4,510	176
	2025	4,118	154
	2024	3,510	160
San Francisco	2026	9,269	533
	2025	8,419	490
	2024	7,252	264

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