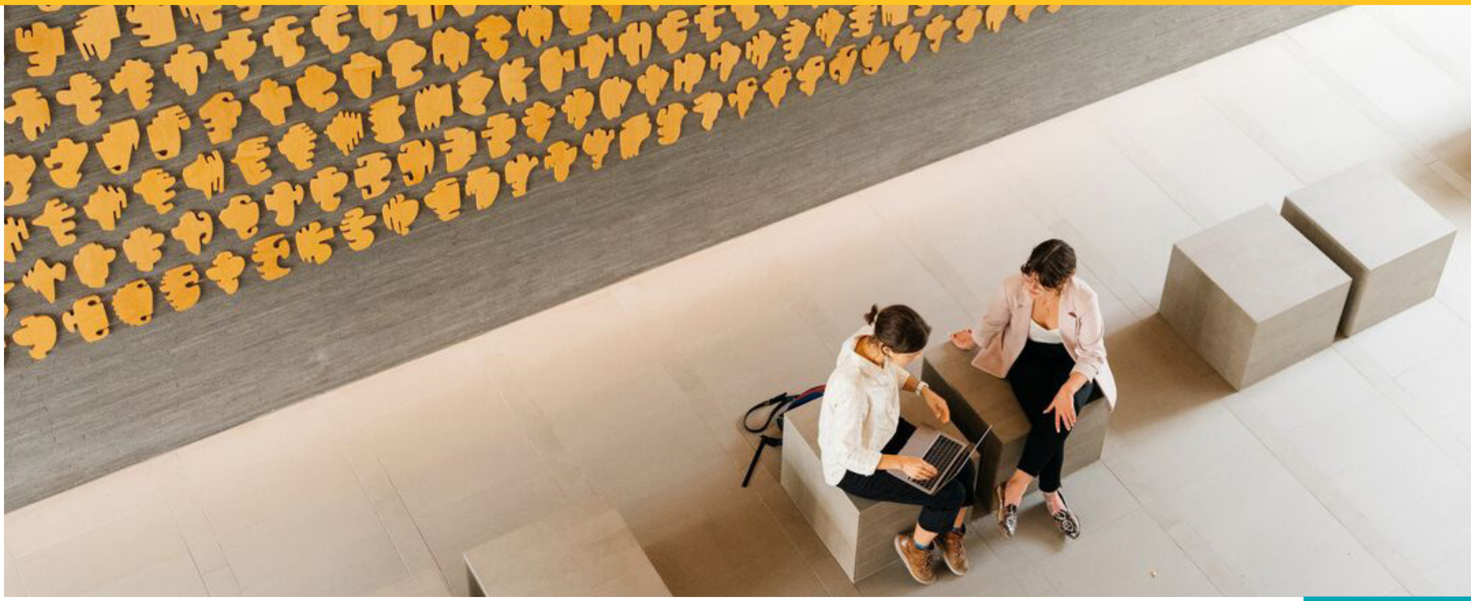
2020 Annual Financial Report

UCSF

Research + Education + Patient Care



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Letter from the Senior Vice Chancellor

UCSF, and the world, experienced quite a year. But even though we are ending our fiscal year in midst of global pandemic and an overdue awakening of social injustice throughout the country, UCSF is persevering. We are an organization built on the concept when the best research, education and patient care converge, then the impossible becomes a possibility. 2020 exemplifies this mindset and below are a few highlights to show why UCSF continues to be a world-renowned organization.

Our faculty shape our future, not only by teaching our students, but inspiring them with their research and innovative spirit. In addition, they continue to demonstrate outstanding professional achievements, a few of which are highlighted below:

- David Julius, PhD, received a 2020 Breakthrough Prize in Life Sciences and was co-awarded the 2020 Kavli Prize in Neuroscience for his breakthrough foundational work on the mechanisms behind our sense of touch and perception of pain.
- Zachary Knight, PhD, who studies the neural mechanisms that control our basic needs, like hunger, thirst and thermoregulation, received a Presidential Early Career Award for Scientists and Engineers.
- Faranak Fattahi, PhD, Alexander Pollen, PhD, and Vasanth Vedantham, MD, PhD, received the New Innovator Award, which supports early-career investigators, from the NIH High-Risk, High-Reward Program.
- Lisa Kroon, PharmD, was awarded the 2019 Pharmacist of the Year Award, the most prestigious award offered by the California Society of Health System Pharmacists.

UCSF continues to receive top rankings and awards, reinforcing UCSF's reputation as one of the premier health science universities in the world:

- UCSF's professional schools excelled in this year's U.S. News & World Report Best Grad Schools survey: Medicine placed in the top six for the 11th consecutive year, and Pharmacy's PharmD program ranked second. Five of Nursing's specialties made the top six, and the school ranked 11th overall.
- For the 13th year in a row, UCSF claimed the top spot among public institutions in funding from the National Institutes of Health.
- UCSF Medical Center once again ranked among the top 10 hospitals in the nation and best in Northern California in U.S. News & World Report's Best Hospitals survey.
- UCSF Benioff Children's Hospitals ranked fifth nationwide and best in the West in neonatology in the survey of Best Children's Hospitals.

UCSF also continues to make great strides in advancing our education mission, supporting our students and preparing our institution, and the communities we serve, for the future:

- In August UCSF launched the first School of Medicine class of the San Joaquin Valley Program in Medical Education. The program is designed for future physicians who are committed to providing medical care that addresses the Valley's unique health needs.
- Student Financial Services and the Office of Diversity and Outreach worked together to better understand and the unmet financial needs of undocumented students and to advocate for their support. As a result, in November UCSF announced that it has doubled the loans and scholarships for its undocumented students, who are ineligible for federal grants and loans.

PAUL JENNY

Senior Vice Chancellor
Finance and Administration

- In preparing our institution for the next generation of researchers, the Comprehensive Parnassus Heights Plan, which outlines organizing concepts and design principals to reshape the campus over the next several decades, was released in October.

Lastly, as COVID-19 has been tearing our world apart, UCSF has been at the forefront in providing support, relief and innovative research not only to the Bay Area, but to the entire world. Below are just a few mere examples which embody the spirit of UCSF:

- To address the urgent need to expand testing, Joe Derisi, PhD, led an effort, with support from the Chan Zuckerberg Initiative, to build a testing lab from scratch in just eight days, staffed by graduate students and fellows. By mid-April, the lab was able to offer free test processing to all California county public health departments.
- After transitioning inpatients out of the Mount Zion campus in 2015, UCSF worked quickly to open a 53-bed respiratory isolation unit there that would serve as UCSF Health's primary site for caring for patients with COVID-19.
- Nevan Krogan, PhD, convened an international team of more than 120 scientists to create a "blueprint" of more than 300 human proteins that the SARS-CoV-2 virus needs to infect cells and detailed how 75 drugs might block infection.
- UCSF partnered with state officials to facilitate the training of 3,000 people a week in public health techniques and strategies, including contact tracing, case investigation and administration, to limit the ongoing spread of COVID-19.
- From COVID-19 testing for underserved neighborhoods, to nursing students working with unhoused individuals to prevent spread, UCSF honored its public mission in a number of programs to serve our community's most vulnerable populations.

As we end this year, I am again overwhelmed with the spirit of generosity, relentlessness and compassion each and everyone at UCSF demonstrates on a daily basis. It is with these virtues, UCSF pursues our mission of advancing health worldwide, and we look forward with hope and possibility to the year ahead.

Management Discussion and Analysis

The Management Discussion and Analysis presented in this document is intended to help readers of the financial statements of the University of California, San Francisco (UCSF) better understand the financial position and operating activities for the fiscal year ended June 30, 2020, and includes selected comparative information for the years ended June 30, 2019 and 2018. As an unaudited discussion prepared by management, it should be read in conjunction with the financial statements and notes to the financial statements. Unless otherwise indicated, years 2020, 2019, and 2018 in this discussion refer to the fiscal years ended June 30.

Using the Annual Report

UCSF is one of ten campuses within the University of California (University) system. As such, the UCSF Annual Financial Report is prepared from official University records and accounts maintained in accordance with University policies and relevant accounting principles, generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

UCSF's financial statements have not been separately audited but are included as part of the University financial statement audit. The three basic financial statements in this report, the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows, are presented for UCSF, and the University of California San Francisco Foundation (the Foundation). Additionally, the financial statements include notes that are considered integral to the statements and provide information on the primary accounting principles applied to develop the statements.

The University of California

The University was founded in 1868 as a public, constitutionally empowered, state-supported institution. The University is one of the largest and most acclaimed institutions of higher learning in the world, dedicated to excellence in teaching, research, health care and public service. The University has annual resources of nearly $40.3 billion, and encompasses ten campuses, five medical schools and medical centers, four law schools, and a statewide Division of Agriculture and Natural Resources. The University is also involved in the operation and management of three national laboratories for the U.S. Department of Energy. The University's financial statements are presented as a discrete component of the state's general-purpose financial statements and are available at http://reportingtransparency.universityofcalifornia.edu.

The University of California, San Francisco

UCSF is a leading public university dedicated to promoting health worldwide through advanced biomedical research, graduate-level education in the life sciences and health professions, and excellence in patient care. It is significantly different from the other nine University campuses, as UCSF:

- Focuses exclusively on the health sciences
- Enrolls approximately 3,200 graduate and professional students, and no undergraduate students
- Receives 1 percent of revenues from student tuition and fees, net of allowances
- Receives 2 percent of revenues from state appropriations, generally supporting the educational mission
- Receives approximately 83 percent of revenues from its clinical and research enterprises
- Operates a large, not-for-profit health system in a highly competitive market
- Generates nearly 43,000 jobs and produces an estimated $9 billion in economic impact
- Provides over $1.4 billion in uncompensated or under-compensated care and over 100 community engagement programs

UCSF students embody our passion for improving human condition and pushing health care forward. UCSF has four professional schools — Dentistry, Medicine, Nursing and Pharmacy and the Graduate Division that consistently rank as top programs nationwide in their fields and attract the world's most talented students.

UCSF achieves its mission of advancing health worldwide™ through innovations in health sciences education, discovery and patient care that address the five goals outlined in our strategic plan. These goals are:

- Provide innovative, high-quality, cost-competitive clinical services, and deliver an unparalleled patient experience across the entire care continuum
- Promote a high value system of care
- Achieve a culture of continuous process improvement
- Be the workplace of choice for diverse, top-tier talent
- Create a financially sustainable enterprise-wide business model

UCSF Medical Center is a world-renowned research and teaching hospital with facilities located throughout San Francisco and the Bay Area, and is one of the leading hospitals in the United States. It serves as the principal clinical teaching site for the University of California, San Francisco, School of Medicine, affiliated with the University of California since 1873. UCSF Medical Center provides inpatient care at Moffitt-Long Hospital on the 107-acre Parnassus campus and at UCSF Benioff Children's Hospital and Baker Cancer Hospital in San Francisco's Mission Bay neighborhood. UCSF Medical Center also provides outpatient hospital care at the hospital sites and physician clinical care at those hospitals and other locations primarily in San Francisco. It also has a national cancer institute designated as a National Comprehensive Cancer Network Member Institution. UCSF Medical Center in San Francisco is licensed to operate 1,019 beds. UCSF Faculty Clinical Practices is the faculty practice organization. Langley Porter Psychiatric Hospital and Clinics (LPPH&C) consists of an adult inpatient unit, an adult Partial Hospitalization Program and adult/child outpatient services and serves all ethnic and socio-economic groups who reside in San Francisco and the greater Bay Area, as well as those referred from areas throughout the western United States. The University of California is the sole corporate and voting member of Children's Hospital & Research Center Oakland (CHRCO). Now known and doing business as UCSF Benioff Children's Hospital Oakland (BCHO), the 108-year old hospital retained its status as a private, not-for-profit 501(c)(3) medical center, offering children and their families outstanding medical, surgical and mental health care. It is one of only five American College of Surgeons (ACS) Pediatric Level 1 Trauma Centers in the state, and has one of the largest pediatric intensive care units in Northern California. It is a leading teaching hospital with an outstanding pediatric residency program and a number of unique pediatric subspecialty fellowship programs. BCHO's research arm, Children's Hospital Oakland Research Institute, is internationally known for its basic and clinical research.

UCSF Medical Center, UCSF Faculty Clinical Practices, Langley Porter Psychiatric Hospitals and Clinics, and UCSF Benioff Children's Hospital Oakland are also included in the UCSF financial statements and are collectively referred to as "UCSF Health." To help clarify the financial position of UCSF, many tables in the financial statements show information on UCSF Health separately from information for the rest of the UCSF enterprise (referred to as "Campus").

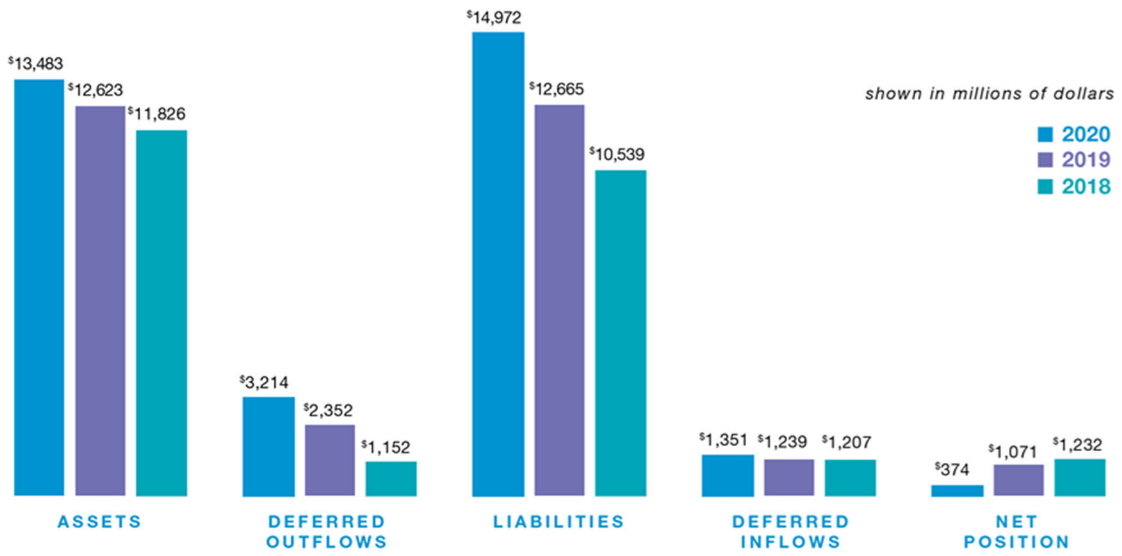
The Campus financial statements also include information on the Campus Facilities Improvement Association (CFIA). This legally separate, not-for-profit public benefit corporation was established for charitable and educational purposes. It currently provides services for the benefit of The Regents on behalf of UCSF, including the development, financing, construction, and management of certain buildings and facilities.

UCSF Health and CFIA have each issued separate audited financial statements containing additional information.

The University of California, San Francisco Foundation

The Foundation was incorporated in 1982 as a not-for-profit corporation, dedicated to providing valuable assistance in fundraising, public outreach and other support to UCSF. Although governed by an independent board, the Foundation is affiliated with, and its assets are dedicated for, the sole benefit of UCSF. The Foundation holds and invests gifts and Foundation expenditures are generally limited to distributions to support UCSF and normal administrative costs. This support is recorded as gift revenue by UCSF. In accordance with GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, the Foundation's financial statements are presented in UCSF's financial statements in a separate column titled "UCSF Foundation." In addition, this document summarizes information on the Foundation in a separate section.

UCSF's Financial Position



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

The University implemented a new accounting policy for certain asset retirement obligations. This change in accounting policy provides recognition and measurement standards for legally and contractually enforceable liabilities associated with the retirement of tangible capital assets. Financial information for 2018 and 2017 has been restated to retroactively apply this new accounting policy.

The major components of the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position, as of June 30, 2020, 2019 and 2018 are as follows:

Commemorating Diversity Champions

Commemorating Diversity Champions: The School of Nursing unveiled its new "Difference is Power" mural, which commemorates nurse heroes whose tireless advocacy and perseverance revolutionized health care and paved the way for greater diversity and inclusion. More than 100 faculty, staff, students and alumni joined State Sen. Scott Weiner and San Francisco Board of Supervisors President Norman Yee in unveiling the mural on the school's third-floor corridor.

Education

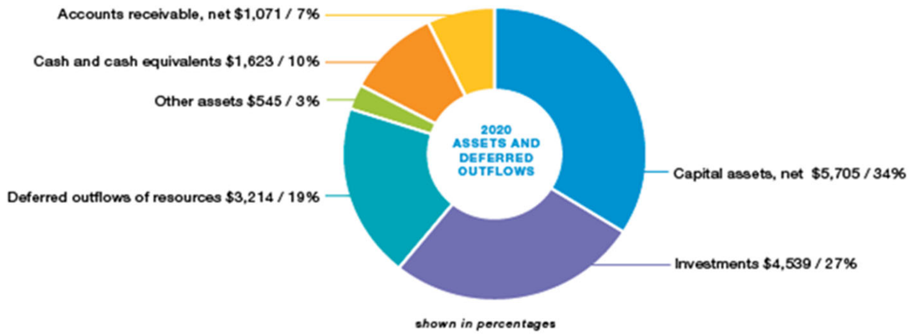
(in millions of dollars)				Increase (decrease) from 2019 to 2020		Increase (decrease) from 2018 to 2019	
	2020	2019	2018	$ Change	% Change	$ Change	% Change
ASSETS							
Cash and cash equivalents	$1,623	$1,161	$1,113	$462	40 %	$48	4 %
Investments	4,539	4,270	3,697	269	6	573	15
Accounts receivable, net	1,071	1,063	948	8	1	115	12
Capital assets, net	5,705	5,262	4,860	443	8	402	8
Other assets	545	867	1,208	(322)	(37)	(341)	(28)
Total assets	**13,483**	**12,623**	**11,826**	**860**	**7**	**797**	**7**
DEFERRED OUTFLOWS OF RESOURCES	**3,214**	**2,352**	**1,152**	**862**	**37**	**1,200**	**104**
LIABILITIES							
Debt	3,830	3,413	3,436	417	12	(23)	(1)
Due to University	923	812	722	111	14	90	12
Net pension liability	3,978	3,231	1,760	747	23	1,471	84
Net retiree health benefits liability	4,536	3,643	3,339	893	25	304	9
Other liabilities	1,705	1,566	1,282	139	9	284	22
Total liabilities	**14,972**	**12,665**	**10,539**	**2,307**	**18**	**2,126**	**20**
DEFERRED INFLOWS OF RESOURCES	**1,351**	**1,239**	**1,207**	**112**	**9**	**32**	**3**
NET POSITION							
Net investment in capital assets	2,455	1,829	1,443	626	34	386	27
Restricted, nonexpendable	518	515	512	3	1	3	1
Restricted, expendable	2,764	2,495	2,829	269	11	(334)	(12)
Unrestricted	(5,363)	(3,768)	(3,552)	(1,595)	(42)	(216)	(6)
Total net position	**$374**	**$1,071**	**$1,232**	**($697)**	**(65)%**	**($161)**	**(13)%**

Research

Artificial Kidney Milestone

Artificial Kidney Milestone: The Kidney Project, a UCSF-led national project developing the world's first implantable artificial kidney, announced that it successfully implanted a prototype containing functional human kidney cells in large animals without significant safety concerns — an important milestone on the way to future human trials.

UCSF’s Assets and Deferred Outflows of Resources



UCSF’s total assets and deferred outflows of resources increased $1.7 billion, or 11 percent, to $16.7 billion in 2020 from $15.0 billion in 2019. Total assets and deferred outflows of resources increased by $2.0 billion, or 15 percent in 2019, from $13.0 billion in 2018. Assets consist primarily of capital assets, cash and cash equivalents, investments, accounts receivable, net and, to a lesser extent, investments held by trustee and inventory.

The sections below provide more details on the various components of UCSF’s assets and deferred outflows of resources, comparing the 2020, 2019 and 2018 positions where meaningful.

Cash, cash equivalents, and investments

Cash, cash equivalents, and investments increased $731 million, or 13 percent, in 2020 and consist of the following:

(in millions of dollars)	Campus			UCSF Health			Total			Increase (decrease) from 2019 to 2020		Increase (decrease) from 2018 to 2019	
	2020	2019	2018	2020	2019	2018	2020	2019	2018	$ Change	% Change	$ Change	% Change
Bank depository accounts			$1						$1			($1)	(100)%
Short-term investment pool	$265	$ 165	260	$1,829	$996	$852	$2,094	$ 1,161	1,112	$ 933	80 %	49	4
Total return investment pool	1,583	1,978	1,682				1,583	1,978	1,682	(395)	(20)	296	18
Investments	2,237	2,046	1,778	248	246	237	2,485	2,292	2,015	193	8	277	14
Cash, cash equivalents, and investments	**$4,085**	**$4,189**	**$3,721**	**$2,077**	**$1,242**	**$1,089**	**$6,162**	**$5,431**	**$4,810**	**$731**	**13 %**	**$621**	**13 %**

Cash, cash equivalents and investments for the Campus decreased $104 million, or 2 percent and increased $468 million, or 13 percent in 2020 and 2019, respectively, primarily due to investment market gains or losses from The Regents’ endowments. Cash, cash equivalents and investments for UCSF Health increased $835 million, or 67 percent, and $153 million, or 14 percent, in 2020 and 2019, respectively, primarily due to an increase in cash from hospital operations.

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

Substantially, all of UCSF's cash is deposited into the STIP, and all UCSF deposits into the STIP are considered demand deposits except for certain deposits held for hospital construction. The net asset value for the STIP is held at a constant value of $1, not adjusted for unrealized gains and losses associated with the fluctuation in the fair value of the investments included in the STIP (which are predominately held to maturity) and are not recorded by each operating entity but absorbed by the University as the manager of the pool. None of these amounts are insured by the Federal Deposit Insurance Corporation. To date, UCSF has not experienced any losses on these accounts.

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

Foundation 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.

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

Accounts receivable, net

Accounts receivable, net of allowance for uncollectible accounts, increased $8 million, or 1 percent, in 2020 compared to 2019 and increased by $115 million, or 12 percent in 2019 as compared to 2018. Accounts receivable, net consist of the following:

(in millions of dollars)				Increase (decrease) from 2019 to 2020		Increase (decrease) from 2018 to 2019	
	2020	2019	2018	$ Change	% Change	$ Change	% Change
Federal government	$83	$89	$78	($6)	(7)%	$11	14 %
State government	38	23	29	15	65	(6)	(21)
Local and private	81	101	107	(20)	(20)	(6)	(6)
Patient receivables	661	682	595	(21)	(3)	87	15
Other	208	168	139	40	24	29	21
Accounts receivable, net	**$1,071**	**$1063**	**$948**	**$8**	**1 %**	**$115**	**12 %**

Details on the key components of accounts receivable are as follows:

- Federal, state and local government, as well as private support, primarily relates to contract and grants receivables and fluctuates based on timing of invoicing and payment cycles.
- Patient receivables relate to UCSF Health decreased from last year due to decrease patient volumes resulting from COVID-19.
- Other accounts receivable primarily consists of campus clinical revenue and fluctuates based on timing of services performed in clinics.

Capital assets, net

Capital assets, net of accumulated depreciation, increased $443 million, or 8 percent, in 2020 compared to 2019 and increased by $402 million, or 8 percent, in 2019 compared to 2018. Capital assets include land, infrastructure, buildings and improvements, equipment and software, libraries, collections, and construction in progress. UCSF continues to invest in capital spending as part of the ongoing effort to provide facilities to support UCSF's teaching, research and patient care missions. These facilities include core academic research and teaching buildings, patient care facilities, student services facilities, housing and other auxiliary enterprises, infrastructure, and remote centers for educational research and outreach.

Capital asset balances by category consist of the following:

(in millions of dollars)	2020			2019	2018	Increase (decrease) from 2019 to 2020		Increase (decrease) from 2018 to 2019	
	Campus	UCSF Health	Total	Total	Total	$ Change	% Change	$ Change	% Change
Land	$351	$146	$497	$494	$494	$3	1%		
Infrastructure	64		64	64	64				
Buildings and improvements	3,529	3,125	6,654	5,958	5,783	696	12	$175	3 %
Equipment and software	522	1,276	1,798	1,640	1,585	158	10	55	3
Libraries and collections	111		111	110	110	1	1		
Construction in progress	705	240	945	1,052	572	(107)	(10)	480	84
Capital assets, at original cost	**5,282**	**4,787**	**10,069**	**9,318**	**8,608**	**751**	**8**	**710**	**8**
Less: accumulated depreciation	(2,068)	(2,296)	(4,364)	(4,056)	(3,748)	308	8	308	8
Capital assets, net	**$3,214**	**$2,491**	**$5,705**	**$5,262**	**$4,860**	**$443**	**8 %**	**$402**	**8 %**

The original cost for capital assets, net of disposals, increased $751 million, or 8 percent, in 2020 compared to 2019 and increased by $710 million, or 8 percent in 2019 compared to 2018, primarily due to continued building and improvements and equipment purchases for both the Campus and UCSF Health. Accumulated depreciation increased $308 million, or 8 percent in 2020 compared to 2019 and increased by $308 million and 8 percent in 2019 compared to 2018.

The following major facilities and projects were capitalized in 2020:

- Additions to UCSF Medical Center for $268 million, including $143 million in medical equipment and intangible assets. The majority of the additions to building and improvements for UCSF Medical Center relate to Precision Cancer Medicine Building at Mission Bay, and various facility upgrades for aging facilities.
- Additions to UCSF Campus for $529 million, including $49 million in medical equipment and intangible assets. Major additions to UCSF campus buildings and improvements were for Mission Bay East Campus (Block 33), Neurosciences Research Building, University Housing, and various facility upgrades for aging facilities.

At June 30, 2019, major facilities and projects were capitalized including building and improvements for UCSF Medical Center and UCSF Campus. The majority of the additions relate to Precision Cancer Medicine Center, Mission Bay East Campus, Neurosciences Research Building, University Housing, Clinical Sciences Building, and various facility upgrades for aging facilities.

At June 30, 2018, major facilities and projects were capitalized including building and improvements for UCSF Medical Center and UCSF Campus. The majority of the additions relate to Precision Cancer Medicine Center, Benioff Children's Hospital Oakland Outpatient Center, Health Sciences Building, Medical Science Building at Parnassus, University Housing, and various facility upgrades for aging facilities.

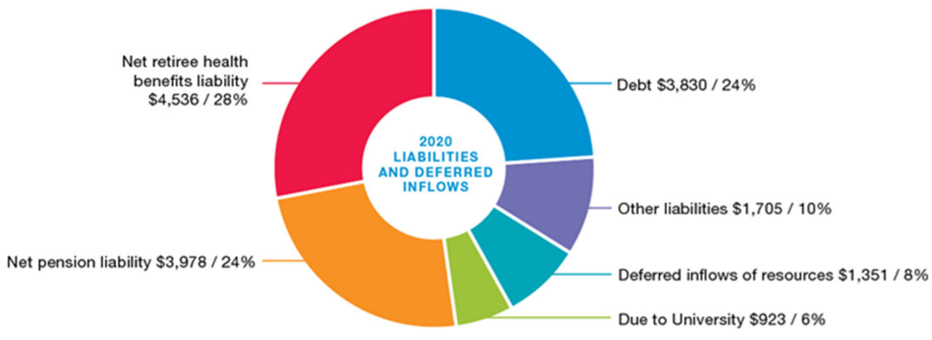
Other assets

Other assets include investments held by trustees, pledge receivables, note and mortgage receivables, inventories and other smaller assets. The decrease in other assets of $322 million, or 37 percent, in 2020 compared to 2019 and decrease of $341 million, or 28 percent, in 2019 compared to 2018, are primarily related to a decrease in investments held by trustee used for capital expenditures.

Deferred outflows of resources

Changes in the net pension liability, retiree health benefits liability, loss on debt refunding, and changes in fair values of UCSF’s interest rate swaps that are determined to be hedging derivatives are reported as deferred outflows of resources. The increase of $862 million, or 37 percent, in 2020 compared to 2019 and increase of $1,200 million, or 104 percent, in 2019 compared to 2018, is due to changes in the assumptions related to the plan experience study.

UCSF’s Liabilities and Deferred Inflows of Resources



shown in millions of dollars

UCSF’s total liabilities and deferred inflows of resources increased $2.4 billion, or 17 percent, to $16.3 billion in 2020 from $13.9 billion in 2019 and increased $2.2 billion, or 18 percent to $13.9 billion in 2019 from $11.7 billion in 2018. Liabilities primarily consist of debt, long-term pension and retiree health benefits liabilities, a payable due to the University and, to a lesser extent, accounts payable to vendors for goods and services, accrued compensation for services performed, and unearned revenue.

The sections below provide more details on the various components of UCSF’s liabilities and deferred inflow of resources, comparing the 2020, 2019 and 2018 positions where meaningful.

Debt

Capital expenditures are financed from a variety of sources, including UCSF restricted gifts, federal and state support, revenue bonds, bank loans, leases, and other expendable resources. Commercial paper and bank loans provide interim financing.

At $3.8 billion in 2020, outstanding debt increased $417 million, or 12 percent, from 2019. At $3.4 billion in 2019, outstanding debt decreased $23 million, or 1 percent, from 2018. The debt activity is as follows:

Cancer Center Opens in Berkeley, CA

The **UCSF-John Muir Health Cancer Center** opened in Berkeley, the first significant milestone in developing a cancer network to enhance access to cancer care throughout the East Bay. There are now 19 specialty care services available at the Berkeley Outpatient Center.

Patient Care

(in millions of dollars)	2020			2019			2018		
	Campus	UCSF Health	Total	Campus	UCSF Health	Total	Campus	UCSF Health	Total
ADDITIONS TO OUTSTANDING DEBT									
Commercial paper and bank loans	$65		$65	$23		$23	$31		$31
University of California General Revenue Bonds							522		522
University of California Limited Project Revenue Bonds							204		204
University of California Medical Center Pooled Revenue Bonds		$402	402						
Third Party - CFIA							210		210
Other capital lease obligations	2		2	1		1	6		6
Additions to outstanding debt	**67**	**402**	**469**	**24**		**24**	**973**		**973**
REDUCTIONS TO OUTSTANDING DEBT									
Refinancing							(94)		(94)
Scheduled principal payments/amortization	(47)	(5)	(52)	(42)	($4)	(46)	(37)	($5)	(42)
Payments on commercial paper and bank loans				(1)		(1)		(20)	(20)
Reductions to outstanding debt	**(47)**	**(5)**	**(52)**	**(43)**	**(4)**	**(47)**	**(131)**	**(25)**	**(156)**
Net increase (decrease) in outstanding debt	**$20**	**$397**	**$417**	**($19)**	**($4)**	**($23)**	**$842**	**($25)**	**$817**

Details on the debt activities in 2020 are as follows:

- The Campus received proceeds of $67 million from commercial paper and bank loans to provide short-term financing to use primarily for various Campus projects.
- Health received proceeds of $402 million from Medical Center Pooled Revenue Bonds to use for future capital project.

Details on the debt activities in 2019 are as follows:

- The Campus received proceeds of $23 million from commercial paper and bank loans to provide short-term financing to use primarily for various Campus projects.

Details on debt activities in 2018 are as follows:

- The Campus received proceeds of $29 million from commercial paper and bank loans to provide short-term financing to use primarily for various Campus projects.
- The Campus received proceeds of $726 million from University General Revenue Bonds and Limited Project Revenue Bonds to refinance the above commercial paper and to use for future capital expenditures related to Minnesota Street Graduate School and Trainee Housing, seismic renovation of the Clinical Sciences Building, Jjan and Sanford Weil Neurosciences Building, and Precision Cancer Medicine Building.
- CFIA received $210 million from California Infrastructure and Economic Development Bank Bond to fund 2130 3rd Street construction.
- UCSF Health received gift fund of $20 million to pay off commercial paper balance.

Net pension and retiree health benefits liabilities

Net pension liability increased in 2020 by $747 million, or 23 percent, from $3.2 billion in 2019 to $4 billion in 2020 and increased $1.5 billion, or 84 percent in 2019 compared to 2018. UCSF has a financial responsibility for pension benefits associated with its defined benefit plans. The increase in 2020 was primarily driven by lower than expected investment returns for the UCRP portfolio. The increase in 2019 was primarily driven by changes in assumptions as a result of the most recent experience study, with the reduction in the discount rate and the changes in the morality tables causing the largest increases. The total investment rate of return for UCRP was 1.7 percent in 2020, 6.0 percent in 2019, and 7.8 percent in 2018. The discount rate used to estimate the net pension liability was 6.75, 6.75 and 7.25 percent in 2020, 2019 and 2018, respectively.

UCSF's net retiree health benefits liability was $4.5 billion, $3.6 billion, and $3.3 billion in 2020, 2019, and 2018, respectively. The changes in the net retiree health benefits liability in 2020 and 2019 was driven by the decrease in the discount rate offset by reducing the inflation assumption and strong management of health care costs. The discount rates as of June 30, 2020, 2019, and 2018 were 2.21 percent, 3.50 percent and 3.87 percent, respectively.

Due to University

Due to University represents an amount owed to the University for reimbursement of contributions made by the University to the pension plan assets. Due to University increased $111 million, or 14 percent, in 2020 compared to 2019 and increased by $90 million, or 12 percent in 2019 compared to 2018. The increase is primarily due to an additional investment to the plan by the University.

Other liabilities

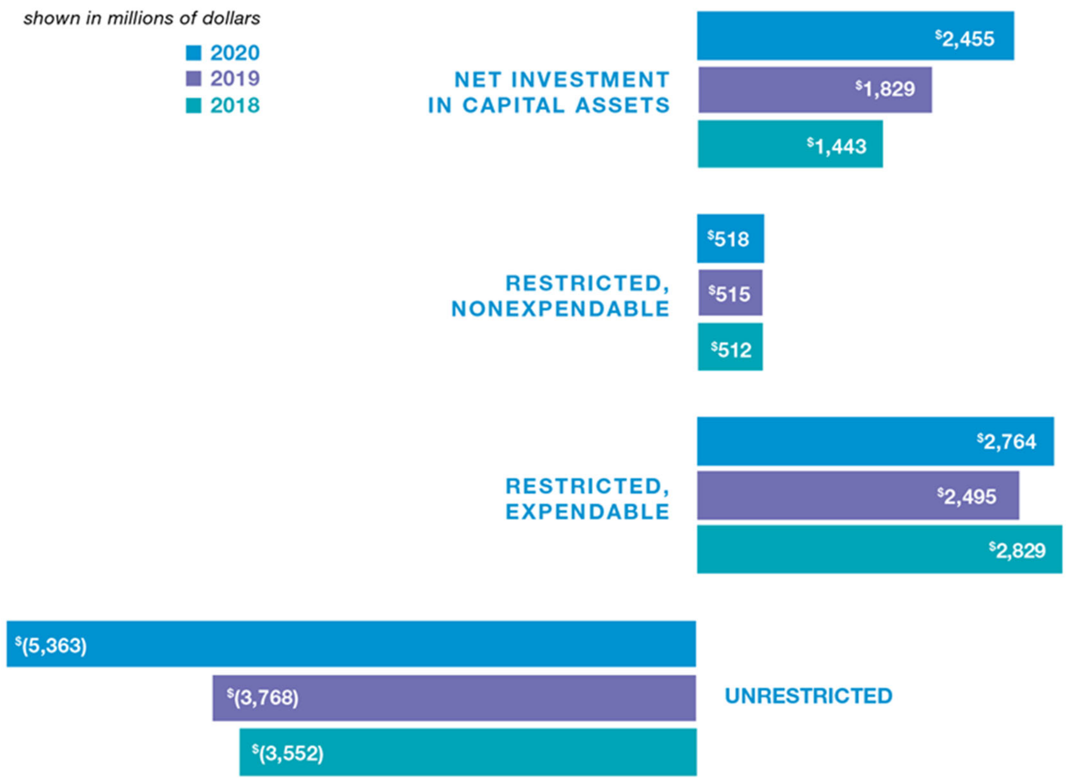
Other liabilities consist of accounts payable, accrued salaries and employee benefits, unearned revenue, funds held for others, federal refundable loans, and other smaller liabilities. Other liabilities increased $139 million, or 9 percent in 2020 compared to 2019 and increased $284 million, or 22 percent in 2019 compared to 2018 primarily driven by an increase in third party payor settlements for UCSF Health.

Deferred inflows of resources

Deferred inflows of resources are related to certain changes in the net pension, net retiree health benefits liabilities and changes in the estimated future value of irrevocable split-interest agreements. Deferred inflows of resources increased by $112 million, or 9 percent in 2020 compared to 2019 and increased by $32 million or 3 percent in 2019 compared to 2018. The increase in 2020 and 2019 is primarily due to the decrease in the discount rate for estimating retiree health benefits liability.

UCSF's Net Position

Net position represents the residual interest in UCSF's assets and deferred outflows of resources after all liabilities and deferred inflows are deducted. Net position was restated for 2018 as a result of adopting new accounting policy for certain asset retirement obligations. UCSF's net position was $374 million in 2020 compared to $1.1 billion in 2019, and $1.2 billion in 2018. Net position is reported in four categories: net investment in capital assets; restricted, nonexpendable; restricted, expendable; and unrestricted. The sections below discuss each of these categories.



Net investment in capital assets

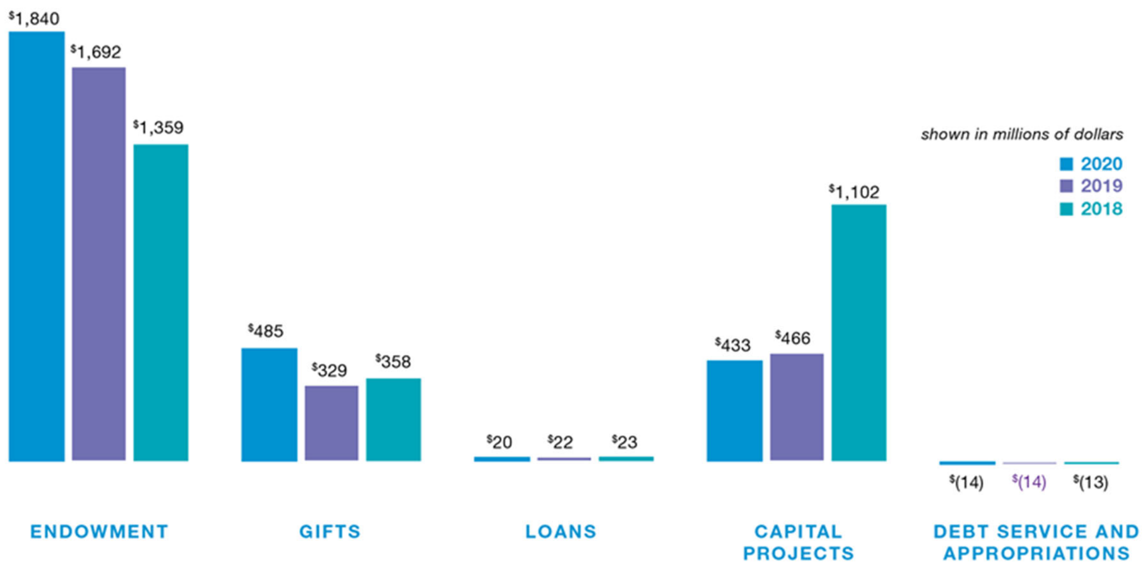
The portion of net position invested in capital assets, net of accumulated depreciation and the related outstanding debt used to finance the acquisition, construction or improvement of these capital assets was $2.5 billion in 2020 compared to $1.8 billion in 2019 and $1.4 billion in 2018. The increase is due to the net addition of capital asset, offsets with debt paydown.

Restricted, nonexpendable

Restricted, nonexpendable net position includes the corpus of UCSF and BCHO's Foundation permanent endowments and the estimated fair value of certain planned giving arrangements. In 2020 and 2019, the increase in restricted, nonexpendable net position was principally due to the receipt of new gifts.

Restricted, expendable

Restricted, expendable net position is subject to externally imposed restrictions governing their use. Net position may be spent only in accordance with the restrictions placed upon them and include endowment income and gains, subject to the University's spending policy, support received from gifts, appropriations or capital projects and trustee-held investments. The increases or decreases in restricted, expendable funds are principally due to the timing of spending restricted gifts and endowment income, endowment investment gains and capital projects. Restricted, expendable net position by type of restriction is as follows:



Restricted, expendable net position increased $269 million, or 11 percent in 2020 compared to 2019 and decreased $0.3 billion or 12 percent in 2019 compared to 2018, primarily due to receipt of current use gifts and gifts and other funds intended for quasi-endowments, and investment income, offset by distribution to UCSF and change in fair market value.

Unrestricted

Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although UCSF's unrestricted net position is not subject to externally imposed restrictions, substantially all of the net position is designated internally for academic and research initiatives or programs, or for future capital projects.

Unrestricted net position is in deficit positions of $5.4 billion, $3.8 billion and $3.6 billion in 2020, 2019 and 2018, respectively. The deficits represent the long term liabilities for UCRP and retiree health benefits.

UCSF's Results of Operations

The statements of revenues, expenses and changes in net position is a presentation of UCSF's operating results and indicates whether the financial condition has improved or deteriorated. In accordance with GASB requirements, certain significant revenues budgeted for fundamental operational support of the core instructional mission of UCSF are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts and investment income.

Results of operations for 2018 have been restated as a result of adopting new accounting policy for certain asset retirement obligations. A summarized comparison of the operating results of 2020, 2019, and 2018, arranged in a format that matches the revenue supporting the core activities of UCSF with the expenses associated with core activities is as follows:

Education

UCSF's professional schools

UCSF's professional schools excelled in this year's *U.S. News & World Report* Best Grad Schools survey: Medicine placed in the top six for the 11th consecutive year, and Pharmacy's PharmD program ranked second. Five of Nursing's specialties made the top six, and the school ranked 11th overall.

(in millions of dollars)	YEAR ENDED JUNE 30, 2020			YEAR ENDED JUNE 30, 2019			Increase (decrease) from 2019 to 2020	
	Operating	Nonoperating	Total	Operating	Nonoperating	Total	$ Change	% Change
REVENUES								
Student tuition and fees, net	$61		$61	$60		$60	$1	2 %
State educational appropriations		$188	188		$173	173	15	9
Grants and contracts, net	1,572		1,572	1,517		1,517	55	4
Medical center, net	4,748		4,748	4,530		4,530	218	5
Other clinical revenue and educational activities, net	319		319	314		314	5	2
Auxiliary enterprises, net	69		69	73		73	(4)	(5)
Private gifts		385	385		323	323	62	19
Investment income, net		160	160		315	315	(155)	(49)
Other revenues	316	182	498	278	37	315	183	58
Revenues supporting core activities	**7,085**	**915**	**8,000**	**6,772**	**848**	**7,620**	**380**	**5**
EXPENSES								
Salaries	3,853		3,853	3,533		3,533	320	9
Benefits	2,182		2,182	1,738		1,738	444	26
Scholarships and fellowships	36		36	35		35	1	3
Utilities	42		42	41		41	1	2
Supplies and materials	981		981	900		900	81	9
Depreciation	350		350	349		349	1	0
Interest expense		158	158		101	101	57	56
Professional and purchased services	618		618	578		578	40	7
Subaward expenses	173		173	180		180	(7)	(4)
Other expenses	351		351	382		382	(31)	(8)
Expenses associated with core activities	**8,586**	**158**	**8,744**	**7,736**	**101**	**7,837**	**907**	**12**
Income (loss) from core activities	**(1,501)**	**757**	**(744)**	**(964)**	**747**	**(217)**	**(527)**	**(243)**
OTHER CHANGES IN NET POSITION								
Capital gifts and grants		58	58		59	59	(1)	(2)
Changes in payable due to University		(15)	(15)		3	3	(18)	(600)
Capital support to University		4	4		(6)	(6)	10	167
Other changes in net position		**47**	**47**		**56**	**56**	**(9)**	**(16)**
Increase (decrease) in net position	**($1,501)**	**$804**	**($697)**	**($964)**	**$803**	**($161)**	**($536)**	**(333)**
NET POSITION								
Beginning of year			1,071			1,232	(161)	(13)
End of year			**$374**			**$1,071**	**($697)**	**(65)%**

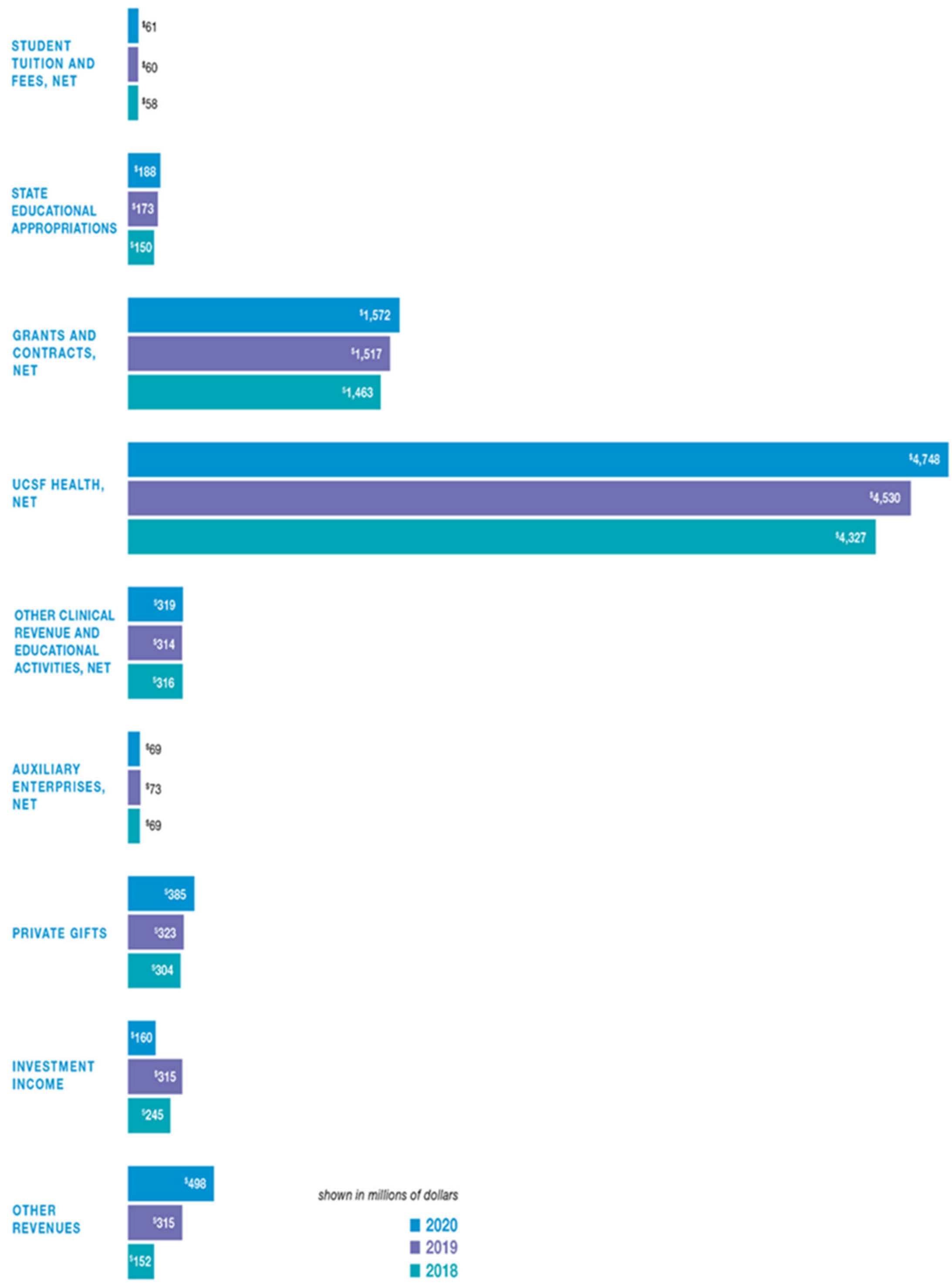
(in millions of dollars)	YEAR ENDED JUNE 30, 2019			YEAR ENDED JUNE 30, 2018			Increase (decrease) from 2018 to 2019	
	Operating	Nonoperating	Total	Operating	Nonoperating	Total	$ Change	% Change
REVENUES								
Student tuition and fees, net	$60		$60	$58		$58	$2	3 %
State educational appropriations		$173	173		$150	150	23	15
Grants and contracts, net	1,517		1,517	1,463		1,463	54	4
Medical center, net	4,530		4,530	4,327		4,327	203	5
Other clinical revenue and educational activities, net	314		314	316		316	(2)	(1)
Auxiliary enterprises, net	73		73	69		69	4	6
Private gifts		323	323		304	304	19	6
Investment income, net		315	315		245	245	70	29
Other revenues	278	37	315	29	123	152	163	107
Revenues supporting core activities	**6,772**	**848**	**7,620**	**6,262**	**822**	**7,084**	**536**	**8**
EXPENSES								
Salaries	3,533		3,533	3,291		3,291	242	7
Benefits	1,738		1,738	1,083		1,083	655	60
Scholarships and fellowships	35		35	33		33	2	6
Utilities	41		41	41		41		
Supplies and materials	900		900	814		814	86	11
Depreciation	349		349	349		349		
Interest expense		101	101		103	103	(2)	(2)
Professional and purchased services	578		578	521		521	57	11
Subaward expenses	180		180	174		174	6	3
Other expenses	382		382	334		334	48	14
Expenses associated with core activities	**7,736**	**101**	**7,837**	**6,640**	**103**	**6,743**	**1,094**	**16**
Income (loss) from core activities	**(964)**	**747**	**(217)**	**(378)**	**719**	**341**	**(558)**	**(164)**
OTHER CHANGES IN NET POSITION								
Capital gifts and grants		59	59		165	165	(106)	(64)
Changes in payable due to University		3	3		35	35	(32)	(91)
Capital support to University		(6)	(6)		(12)	(12)	6	50
Other changes in net position		**56**	**56**		**188**	**188**	**(132)**	**(70)**
Increase (decrease) in net position	**($964)**	**$803**	**($161)**	**($378)**	**$907**	**$529**	**($690)**	**(130)**
NET POSITION								
Beginning of year			1,232			703	529	75
End of year			**$1,071**			**$1,232**	**($161)**	**(13)%**

The following sections present more information on revenues, expenses and changes in net position associated with UCSF's core activities.

Revenues Supporting Core Activities

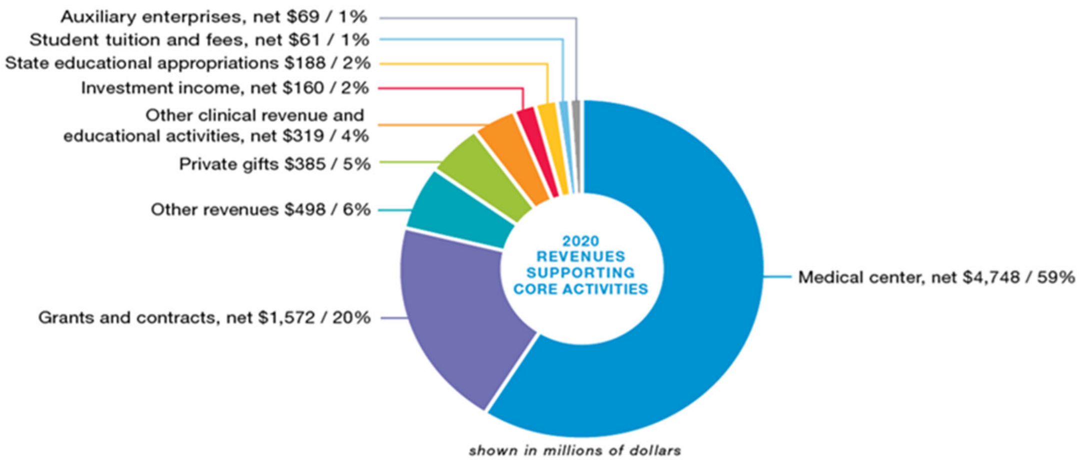
Revenues supporting UCSF's core activities, including those classified as nonoperating revenues were $8.0 billion, $7.6 billion and $7.1 billion in 2020, 2019 and 2018, respectively. These diversified sources of revenue increased by $380 million, or 5 percent in 2020 and $536 million, or 8 percent in 2019.

Revenues in the various categories for fiscal years 2020, 2019 and 2018 are as follows:



A major financial strength of UCSF is its diverse source of revenues, including student fees, federally sponsored grants and contracts, patient revenues, private and local government support, the State of California, and self-supporting enterprises. The variety of fund sources remains essential to our success over the past several years.

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



Student tuition and fees, net

Net student tuition and fees were $61 million, $60 million and $58 million in 2020, 2019 and 2018, respectively. Scholarship allowances or financial aid, are the difference between the stated charge for tuition and fees and the amount that is paid by students and third parties on behalf of students. Scholarship allowances, netted against student tuition fees, were $45 million, $42 million and $41 million in 2020, 2019 and 2018, respectively. Student tuition and fees, net of scholarship allowances, remained fairly consistent over the last several years.

Total primary curriculum enrollment is as follows:

	2020	2019	2018
STUDENTS			
Graduate academic programs:			
Ph.D. programs	864	821	811
Masters programs	546	566	563
Graduate certificate programs	95	114	75
Graduate academic programs	**1,505**	**1,501**	**1,449**
Graduate professional students	1,710	1,697	1,680
Total students	**3,215**	**3,198**	**3,129**
TRAINEES			
Postdoctoral scholars	1,166	1,180	1,101
Residents	1,713	1,659	1,604
Total trainees	**2,879**	**2,839**	**2,705**
Total students and trainees	**6,094**	**6,037**	**5,834**

In 2020, enrollment grew by 0.9 percent and in 2019 enrollment grew by 3.5 percent. Certain resident and nonresident graduate students experienced increases in mandatory tuition and fees. Professional degree supplemental tuition varies by discipline; certain increases were approved for 2020, 2019 and 2018.

State educational appropriations

Educational appropriations from the state of California were $188 million, $173 million, and $150 million in 2020, 2019 and 2018, respectively. State educational appropriations increased in 2020 by $15 million, or 9 percent compared to 2019 and increased in 2019 by $23 million, or 15 percent compared to 2018. Appropriations are used to support the educational mission, including services provided by the University of California Office of the President. The amount of appropriation income received by UCSF fluctuates based on the negotiations between the Office of the President and the state of California.

Grants and contracts, net

Revenue from federal, state, private and local government grants and contracts, including an overall facilities and administration cost recovery of $293 million, $279 million and $260 million in 2020, 2019 and 2018, respectively were $1.6 billion, $1.5 billion and $1.5 billion in 2020, 2019 and 2018, respectively. Grants and contracts, net revenue consist of the following:

(in millions of dollars)				Increase (decrease) from 2019 to 2020		Increase (decrease) from 2018 to 2019	
	2020	2019	2018	$ Change	% Change	$ Change	% Change
Federal	$803	$771	$736	$32	4 %	$35	5 %
State	105	91	98	14	15	(7)	(7)
Private	438	428	435	10	2	(7)	(2)
Local	226	227	194	(1)	(0.4)	33	17
Grants and contracts, net	**$1,572**	**$1,517**	**$1,463**	**$55**	**4 %**	**$54**	**4 %**

Details on specific grant and contract revenues for 2020 are as follows:

- Federal grants and contracts revenue increased $32 million or 4 percent, primarily due to new awards and work performed on significant awards received in prior years.
- State grants and contracts revenue increased $14 million, or 15 percent is primarily due to new awards and work performed on significant awards received in prior years.
- Private grants and contracts revenue increased $10 million or 2 percent, primarily due to increase funding from local affiliation agreement and private foundations.
- Facilities and administrative costs of federally sponsored programs are recovered at cost reimbursement rates negotiated with UCSF's federal cognizant agency, the U.S. Department of Health and Human Services. For the fiscal year ended June 30, 2020, the facilities and administrative cost recovery included $197 million from federally sponsored programs and $96 million from other sponsors.

Details on specific grant and contract revenues for 2019 are as follows:

- Federal grants and contracts revenue increased $35 million or 5 percent, primarily due to new awards and work performed on significant awards received in prior years.
- State grants and contracts revenue decreased $7 million, or 7 percent, is primarily due to $16 million one-time funding for tobacco research received in 2018.
- Private grants and contracts revenue decreased $7 million or 2 percent, primarily due to decrease funding from local affiliation agreement and private foundations.
- Facilities and administrative costs of federally sponsored programs are recovered at cost reimbursement rates negotiated with UCSF's federal cognizant agency, the U.S. Department of Health and Human Services. For the fiscal year ended June 30, 2019, the facilities and administrative cost recovery included $187 million from federally sponsored programs and $92 million from other sponsors.

Medical center, net

UCSF Health provides basic, moderate and highly complex care, including transplants, neurosurgery and cancer treatment. Most patients receiving basic and moderate acute care live relatively close to a UCSF Health facility. In contrast, patients receiving highly complex care may come from greater distances.

Total medical center revenues, net of allowances, increased $218 million, or 5 percent, to $4.7 billion in 2020 from $4.5 billion in 2019 and increased $203 million, or 5 percent from $4.3 billion in 2018. Increase in 2020 is attributable to improvement in reimbursement rates, Medi-Cal supplemental payments and pharmacy revenue. The increase in 2019 is attributable to growth in patient volumes, primary outpatient, improvements in reimbursements rates, Medi-Cal supplemental payments and specialty pharmacy revenue.

The table below summarizes the revenue sources of the medical center:

(in millions of dollars)				Increase (decrease) from 2019 to 2020		Increase (decrease) from 2018 to 2019	
	2020	2019	2018	$ Change	% Change	$ Change	% Change
Medicare	$699	$665	$612	$34	5 %	$53	9 %
Medi-Cal	653	581	563	72	12	18	3
Contracts	3,332	3,219	2,913	113	4	306	11
County/uninsured/self-pay	63	65	68	(2)	(3)	(3)	(4)
Net patient service revenue	**4,747**	**4,530**	**4,156**	**217**	**5**	**374**	**9**
Other revenue	1		171	1	100	(171)	(100)
UCSF Health, net	**$4,748**	**$4,530**	**$4,327**	**$218**	**5 %**	**$203**	**5 %**

Details on the medical center revenue sources for 2020 are as follows:

- Revenue for Medicare beneficiaries increased $34 million, or 5 percent, partially due to improvement in reimbursement rates, Medi-Cal supplemental payments and pharmacy revenue compared with 2019. Medicare payments to medical center take many forms. 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. In patient non-acute services, certain outpatient services and medical education costs related to Medicare beneficiaries are paid based, in part, on a cost reimbursement methodology. Medicare reimburses hospitals for covered outpatient services rendered to its beneficiaries by way of an outpatient prospective payment system based on ambulatory payment classifications.

- UCSF Health 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. UCSF Health classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. UCSF Health has received final notices from the Medicare fiscal intermediary through June 30, 2011, and through June 30, 2017 for BCHO. The fiscal intermediary is in the process of conducting their audits of the subsequent cost reports. The results of these audits have yet to be finalized and any amounts due to or from Medicare have not been determined. Estimated receivables and payables related to all open cost reporting periods are included in the statements of net position as third-party payor settlements. UCSF Health revenue includes loss contingencies related to these open cost-report issues, as required by generally accepted accounting principles.
- UCSF Health receives most of its net patient service revenue from contracts with commercial health maintenance organizations and preferred provider organizations, which usually reimburse UCSF Health at contracted discount or per-diem rates. Net revenue earned on commercial contracts increased $113 million, or 4 percent, representing about 70 percent of total net patient service revenue in 2020, compared with 71 percent in 2019.
- Other revenues increased $1 million, or 100 percent, and consist of revenues generated through non-patient care activities, such as pharmacy, cafeteria and rebates.

Other clinical revenue and educational activities, net

Other clinical revenue and educational activities increased $5 million, or 2 percent, from $314 million in 2019 to $319 million in 2020 and is comprised of third-party affiliation agreements, patient services performed by non-medical center educational departments, dental clinic revenue, laboratory service fees and continuing education. The increase is primarily due to professional fees associated with affiliation contract revenues.

Auxiliary enterprises, net

Auxiliary enterprises decreased $4 million, or 5 percent, from $73 million in 2019 to $69 million in 2020 and consists of housing, parking, permits and recreation program revenues. The decrease is primarily attributable to the impacts of COVID-19 causing declines in revenues.

Private gifts, net

Gifts are generally restricted to uses designated by the donor for research, instruction or institutional support. Private gifts are provided directly to UCSF or the BCHO Foundation from donors, or are administered and transferred to UCSF by the Foundation to UCSF or BCHO Foundation. The increase of $62 million, or 19 percent, in 2020 compared to 2019, is primarily attributed to private gifts transferred to UCSF campus from the Foundation and to a lesser extent, gifts received directly to the BCHO Foundation designated for research.

Investment income, net

Investment income, net of investment expenses includes dividend and interest income from the earnings of STIP, TRIP, expendable endowment income from the general endowment pool (GEP) and BCHO Foundation investments. The Regents utilize asset allocation strategies intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. Investment income, net decreased $155 million, or 49 percent in 2020 compared with 2019, primarily due to decreases in the fair market value of the GEP.

Other revenues

Other revenues consist of non-educational sales and services representing revenues received from a variety of sources including federal financing appropriations, patent income and state financing appropriations. Other revenues increased $183 million, or 58 percent, compared with 2019, primarily due to government direct grants related to COVID-19. In 2019, other revenues increased $163 million, or 107 percent compared with 2018 primarily due to a one-time real estate transaction in 2018.

Expenses Associated with Supporting Core Activities

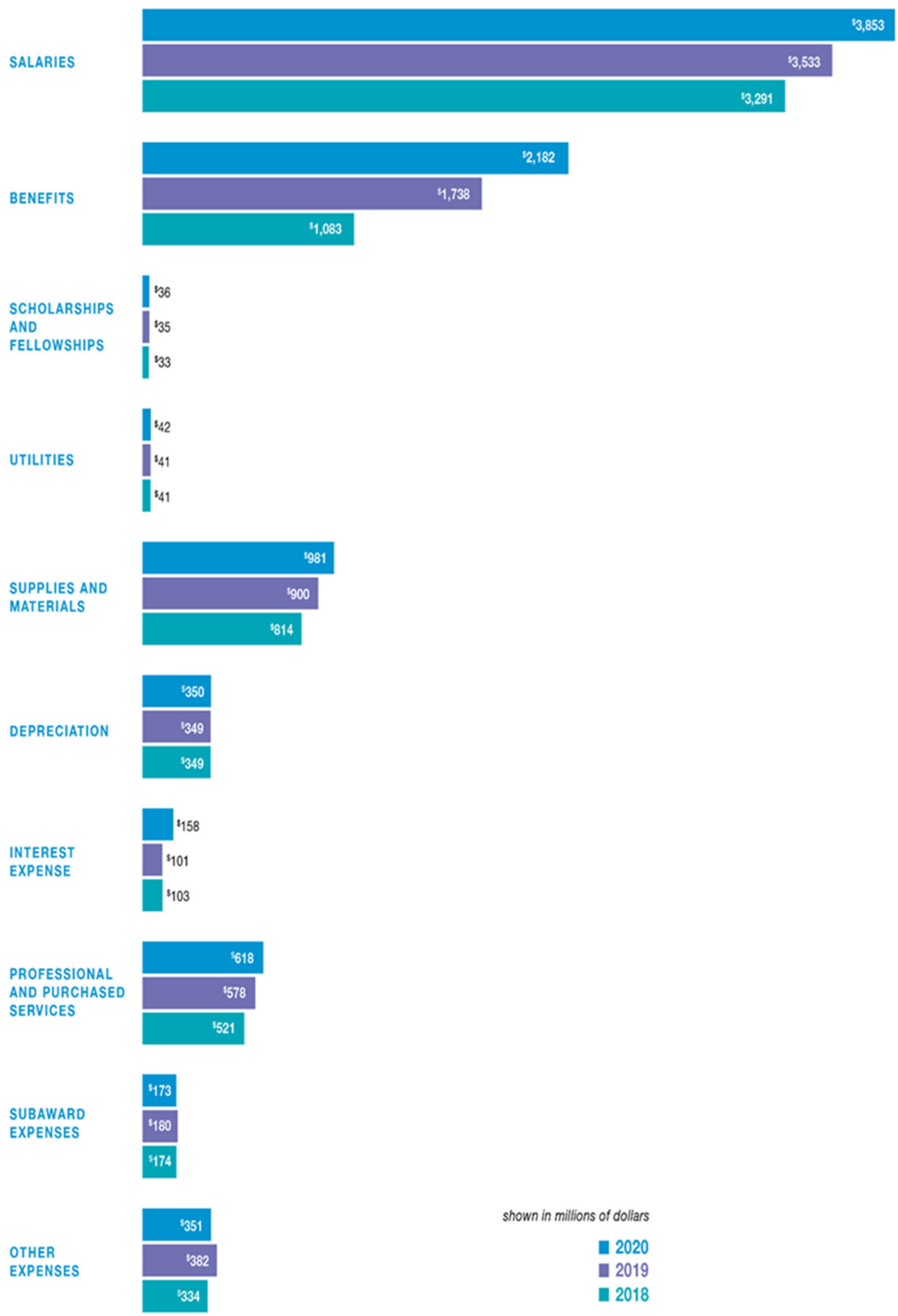
Expenses associated with UCSF's core activities, including those classified as nonoperating expenses, were $8.7 billion, $7.8 billion and $6.7 billion in 2020, 2019 and 2018, respectively. Expenses increased in 2020 by $907 million, or 12 percent, and in 2019 by $1.1 billion, or 16 percent, primarily due to the overall growth of UCSF's operations.

Expenses in the various categories for fiscal years 2020, 2019, and 2018 are as follows:

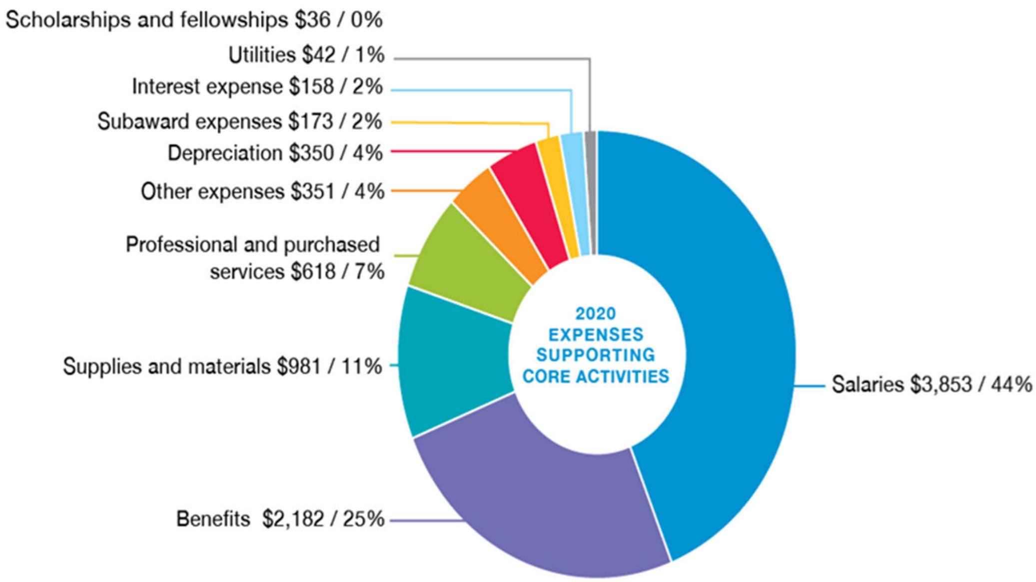
Public Institution Funding

For the 13th year in a row, UCSF claimed the top spot among public institutions in funding from the National Institutes of Health. The University was awarded nearly 1,300 NIH grants and contracts, totaling more than $684.4 million in funding in 2019.

Research


SALARIES
$3,853
$3,533
$3,291
BENEFITS
$2,182
$1,738
$1,083
SCHOLARSHIPS AND FELLOWSHIPS
$36
$35
$33
UTILITIES
$42
$41
$41
SUPPLIES AND MATERIALS
$981
$900
$814
DEPRECIATION
$350
$349
$349
INTEREST EXPENSE
$158
$101
$103
PROFESSIONAL AND PURCHASED SERVICES
$618
$578
$521
SUBAWARD EXPENSES
$173
$180
$174
OTHER EXPENSES
$351
$382
$334
shown in millions of dollars
2020
2019
2018

Operating and nonoperating expenses associated with supporting UCSF's core activities in 2020 are as follows:



shown in millions of dollars

Salaries and wages

Salaries account for 44 percent of UCSF's total expenses and increased $320 million, or 9 percent from $3.5 billion in 2019 to $3.9 billion in 2020, resulting both from employee growth and salary increases. The significant increase in salaries is expected as increases in revenues from grants and contracts for research and patient service continues to grow. Additionally, the salaries category includes UCSF Health temporary employees who do not receive benefits.

Details on salaries expense are as follows:

- Campus salaries increased $139 million, or 8 percent, driven primarily by salary increases for faculty of $49 million, non-represented staff of $45 million, non-faculty academic of $25 million and other employees expense of $20 million.
- UCSF Health salaries increased $181 million, or 11 percent, driven primarily by salary increases for represented employee salaries of $149 million, non-represented staff of $18 million, temporary staff of $2 million and other employees expense of $12 million.

Benefits

In 2020, benefits were 57 percent of salaries compared to 49 percent in 2019 and 33 percent in 2018, and represent 25 percent, 22 percent and 16 percent in 2020, 2019 and 2018, respectively, of UCSF's total expenses. Benefits increased $444 million, or 26 percent, compared with 2019 and increased $655 million, or 60 percent, compared with 2018 and consist of the following:

(in millions of dollars)	Campus			UCSF Health			Total			Increase (decrease) from 2019 to 2020		Increase (decrease) from 2018 to 2019	
	2020	2019	2018	2020	2019	2018	2020	2019	2018	$ Change	% Change	$ Change	% Change
UC Retirement Plan	$483	$403	$118	$564	$493	$193	$1,047	$896	$311	$151	17 %	$585	188 %
Retiree health benefits	147	109	98	227	170	150	374	279	248	95	34	31	13
Health, dental and vision	132	149	142	275	178	159	407	327	301	80	24	26	9
Social Security and Medicare	85	92	87	81	103	98	166	195	185	(29)	(15)	10	5
Workers' compensation and other	104	12	13	84	29	25	188	41	38	147	359	3	8
Benefits	**$951**	**$765**	**$458**	**$1,231**	**$973**	**$625**	**$2,182**	**$1,738**	**$1,083**	**$444**	**26 %**	**$655**	**60 %**

Details on benefit costs are as follows:

- The University administers the University of California Retirement Plan (UCRP) on behalf of UCSF. UCSF and employees contribute to UCRP, as determined annually pursuant to The Regents' funding policy and are based on recommendations of the consulting actuary. The UCRP pension expense includes the employer contribution to the UCRP pension and a supplemental amount assessed to UCSF starting in fiscal year 2012 to cover the underfunded portion of the UCRP liability. The UCRP rate remained constant at 14 percent for 2020, 2019, and 2018, but the UCRP supplemental increased from 1.19 percent in 2017 to 1.3 percent in 2018. Effective May 2018, the assessment rate was split into principal and interest. As of May 2018, the principal for all sources of covered compensation was 1.07 percent and interest assessed was .2 percent. Pension expense increased by $151 million or 17% percent in 2020. Pension expense increased by $585 million, or 188 percent in 2019. The increase in 2020 is primarily due to increased employees and salaries.
- Retiree health benefits increased $95 million, or 34 percent in 2020 and retiree health benefits increased $31 million, or 13 percent in 2019 and are funded separately by an assessment against covered compensation. The increase is primarily attributed to increased salaries.
- Health, dental and vision benefits increased $80 million, or 24 percent in 2020, with $407 million in 2020 and $327 million in 2019 primarily due to benefit rate increases.

Scholarships and fellowships

UCSF places a high priority on student financial aid as a part of its commitment to access and affordability. Scholarship allowances represent UCSF fee waivers and are reported as an offset to student tuition and fee revenue, not as an operating expense. Scholarships and fellowships represent payments of financial aid made directly to students and are reported as operating expenses.

Scholarships and fellowships increased $1 million, or 3 percent, to $36 million in 2020 compared with $35 million in 2019, and increased $2 million, or 6 percent compared with $33 million in 2018. In addition, the scholarship allowances recorded as an offset to tuition was $45 million, $42 million, and $41 million for 2020, 2019 and 2018, respectively.

Supplies and materials

Supplies and materials increased $81 million, or 9 percent, to $981 million in 2020 compared with $900 million in 2019 and increased $86 million or 11 percent in 2019 compared with $814 million in 2018, primarily attributable to higher patient volumes and additional supplies needed in caring for these patients.

Depreciation

Depreciation increased $1 million, or 0.3 percent, to $350 million in 2020 compared with $349 million in 2019 and in 2018. The depreciation increase in 2020 due to completion of constructions. Depreciation remained unchanged in 2019 and 2018 due to large assets becoming fully depreciated during the year.

Interest expense

Interest expense increased $57 million, or 56 percent, to $158 million in 2020 compared with $101 million in 2019 and decreased $2 million, or 2 percent compared with $103 million in 2018. The increase in 2020 is primarily due to previously capitalized interest is expensed with implementation of GASB 89.The decrease in 2019 is primarily due to interest being capitalized during construction of Precision Cancer Medicine Building at Mission Bay.

Professional and purchased services

Professional and purchased services include costs from professional fees and consultants. Professional and purchased services increased by $40 million or 7 percent, to $618 million in 2020 compared with $578 million in 2019 and increased $57 million, or 11 percent, compared to $521 million in 2018 due to continued growth in patient care activities.

Subaward expenses

Subaward expenses are costs incurred by subcontractors who contribute to the overall completion of an award's scientific deliverables. Subaward expenses decreased by $7 million or 4 percent, to $173 million in 2020 compared with $180 million in 2019 and increased $6 million or 3 percent, compared to $174 million in 2018.

Other expenses

Other expenses consist of a variety of expense categories, including travel, rent, insurance, legal settlements and repairs and maintenance. Other expenses decreased $31 million, or 8 percent, to $351 million in 2020 compared with $382 million in 2019 and increased $48 million, or 14 percent compared with $334 million in 2018.

Operating losses

In accordance with the GASB's reporting standards, operating losses were $1.5 billion, $964 million and $378 million in 2020, 2019 and 2018, respectively. The operating losses in 2020, 2019 and 2018 were offset by $757 million, $747 million and $719 million, respectively, of net nonoperating revenue that supports core operating activities of UCSF. Expenses exceeded revenue available to support core activities by $744 million and $217 million in 2020 and 2019, respectively. Revenue exceeded expenses associated with core activities in 2018 by $341 million.

Net appreciation or depreciation in fair value of investments

Net appreciation or depreciation in the fair value of investments, are noncash transactions and, therefore, are not available to support operating expenses. In 2020, 2019 and 2018, the UCSF recognized net depreciation in the fair value of investments of $6 million, net appreciation of $155 million and net appreciation of $99 million, respectively. UCSF's portfolio experienced negative returns in the equity markets in 2020. UCSF’s portfolio experienced positive returns in the equity markets in 2019, and 2018.

Other nonoperating activities

In 2018, UCSF was gifted a piece of property, land and building, located at 2130 Post Street (Post Street) in exchange for its property at 3333 California Street (Laurel Heights), land only. Post Street property was measured utilizing the fair value as appraised at $61 million at the time of the transaction. The fair value of Laurel Heights was deemed as not determinable within reasonable limits, therefore, Laurel Heights was measured utilizing the recorded amount of book value for $18 million at the original date of acquisition. The excess value of the Post Street property of $43 million was intended to be a gift contribution to the UC Regents to help support UCSF faculty and student housing. UCSF recognized $61 million for Post Street and is included in capital assets and the excess of $43 million is recognized and included in capital gifts on the statement of net position and statement of revenues, expenses, and changes in net position, respectively.

In connection with the transaction, the Laurel Heights property that was exchanged was previously a ground lease determined to be an operating lease, wherein UCSF was the lessor. The ground lease included an upfront cash consideration paid to UCSF of $89 million which was previously recorded as unearned revenue and recognized over the 99 year lease contract. As part of the gift and exchange transaction, the ground lease was transferred and relieved UCSF of its obligation related to the lease. As there is no obligation to be performed by UCSF, the remaining unearned revenue of $63 million was recognized and included in other nonoperating revenue in the statement of revenues, expenses, and changes in net position.

Other changes in net position

Similar to nonoperating activities, other changes in net position are also available to support UCSF’s operating expenses in the current year. Other changes in net position decreased $9 million, or 16 percent, to $47 million in 2020 compared with $56 million in 2019 and decreased $132 million, or 70 percent compared with $188 million in 2018. The decrease in 2020 is primarily due to capital gifts and grants as one-time large capital gifts were received in 2019.

Capital gifts and grants may only be used for the purchase or construction of specified capital assets. UCSF receives capital gifts directly as well as receiving capital gift transfers from the Foundation. These funds are required to pay for specific facilities. Capital gifts and grants decreased $1 million, or

2 percent, to $58 million in 2020 compared to $59 million in 2019 and decreased $106 million, or 64 percent compared with $165 million in 2018. The decrease in 2019 is primarily attributable to significant land and building gifts at Post Street, 3rd Street and North Point received to support UCSF's missions in 2018.

UCSF Cash Flows

The statements of cash flows present information about the significant sources and uses of cash. A summary comparison of cash flows for 2020, 2019 and 2018 is as follows:

(in millions of dollars)				Increase (decrease) from 2019 to 2020		Increase (decrease) from 2018 to 2019	
	2020	2019	2018	$ Change	% Change	$ Change	% Change
Cash received from operations	$7,557	$7,758	$6,163	($201)	(3)%	$1,595	26 %
Cash payments for operations	(7,626)	(7,554)	(6,126)	(72)	(1)	(1,428)	(23)
Net cash provided (used) by operating activities	**(69)**	**204**	**37**	**(273)**	**(134)**	**167**	**451**
Net cash provided by noncapital financing activities	742	514	532	228	44	(18)	(3)
Net cash provided (used) by capital and related financing activities	(483)	(798)	261	315	39	(1,059)	(406)
Net cash provided (used) by investing activities	272	128	(808)	144	113	936	116
Net increase in cash and cash equivalents	**462**	**48**	**22**	**414**	**863**	**26**	**118**
Cash and cash equivalents, beginning of year	1,161	1,113	1,091	48	4	22	2
Cash and cash equivalents, end of year	**$1,623**	**$1,161**	**$1,113**	**$462**	**40 %**	**$48**	**4 %**

Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts managed by the University on a daily basis. Details on cash flows for 2020 are as follows:

- Cash of $69 million was used by operating activities and is primarily attributable to lower patient volumes associated with the continued operations of UCSF Health due to COVID-19.
- Cash of $742 million was provided by noncapital financing activities. As defined by GASB, noncapital financing activities include state educational appropriations of $188 million and private gifts of $385 million received to support operational, rather than capital, purposes.
- Cash of $483 million was used for capital and related financing activities. Of this, proceeds from issuance of debt of $469 million, capital gifts and grants of $58 million, and state and capital appropriations of $25 million was offset by $1 billion used for purchase of capital assets, debt service, refinancing and other.
- Cash of $272 million was provided by investing activities. Investing activities includes investment income of $166 million consisting of endowment income, STIP investment income and TRIP investment income. Investing activities also includes net addition of $389 million from trustees, and $105 million transfers to the Regents' endowment to purchase investments.

UCSF Foundation Financial Position

The Foundation's condensed statements of net position provide information on the organization's current financial condition. Over time, increases or decreases in net position provide one indicator of the improvement or erosion of the Foundation's financial health when considered with other nonfinancial information.

In 2015, the Foundation's Board of Overseers formed the UCSF Foundation Investment Company (the "Company"), a nonprofit organization, to manage the Foundation's Endowed Investment Pool (EIP). The Company commenced operations in 2016. The Company is led by a Chief Investment Officer and is governed by a Board with extensive knowledge of the investment industry, finance and business. The Foundation is the sole member of the Company, and appoints the Board. Under GASB standards, the Company is presented as a blended component in the Foundation financial statements.

In 2015, the Foundation's Board of Overseers formed BVSF Holdings, Inc. (BVSF), a legally separate California corporation, to acquire, hold and manage certain interests in real estate assets held through a limited partnership. The Foundation is the sole shareholder of BVSF. The business and affairs of BVSF are managed by a board of directors, the majority of whom are independent. The fair value of the Foundation's investment in BVSF was $33 million as of June 30, 2017. The Foundation sold BVSF during 2018.

The table below summarizes the Foundation's net position, and sections following the table provide additional details.

(in millions of dollars)				Increase (decrease) from 2019 to 2020		Increase (decrease) from 2018 to 2019	
	2020	2019	2018	$ Change	% Change	$ Change	% Change
ASSETS							
Cash and investments	$2,450	$2,195	$2,038	$255	12 %	$157	8 %
Pledges receivable, net	60	90	138	(30)	(33)	(48)	(35)
Other assets	50	21	13	29	138	8	62
Total assets	**2,560**	**2,306**	**2,189**	**254**	**11**	**117**	**5**
LIABILITIES							
Accounts payable and other liabilities	88	30	33	58	193	(3)	(9)
Funds held for others	267	264	254	3	1	10	4
Obligations under life income agreements	25	25	23			2	9
Total liabilities	**380**	**319**	**310**	**61**	**19**	**9**	**3**
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from irrevocable split interest agreement	29	31	29	(2)	(6)	2	7
Total deferred inflows of resources	**29**	**31**	**29**	**(2)**	**(6)**	**2**	**7**
NET POSITION							
Restricted, nonexpendable	907	836	720	71	8	116	16
Restricted, expendable	1,243	1,119	1,130	124	11	(11)	(1)
Unrestricted	1	1				1	100
Total net position	**$2,151**	**$1,956**	**$1,850**	**$195**	**10 %**	**$106**	**6 %**

Assets

The Foundation's assets increased $254 million, or 11 percent, at $2.6 billion in 2020; this compares to an increase of $117 million, or 5 percent from 2018 to 2019. Assets comprise cash and cash equivalents, investments, pledges, and other assets, including investment income receivable, receivable for investments sold, and all other assets.

Cash and investments increased $255 million, or 12 percent, to $2.5 billion in 2020 from $2.2 billion in 2019 compared to an increase of $157 million, or 8 percent from 2018. The increase is primarily the result of cash flows from contributions and other revenues, additions to permanent endowments, and proceeds from the sale of donated securities and disbursements to UCSF, and nonoperating income. Cash and investment balances for all years include BCHO's investment in the Foundation's endowed investment pool and consolidated Investment Company balances.

Pledge receivable balances of $60 million as of June 30, 2020 decreased $30 million from $90 million in 2019. New pledges totaling $12 million were offset by pledge payments and other changes of $44 million; this net decrease was offset by a net decrease in the allowance for uncollectible pledges and discount on multi-year pledges of $2 million. Pledge receivable balances of $90 million as of June 30, 2019 decreased $48 million from $138 million in 2018. New pledges totaling $43 million were offset by pledge payments and other changes of $92 million. This net decrease was offset by a net decrease in the allowance for uncollectible pledges and discount on multi-year pledges of $1 million.

Other assets increased $29 million from $21 million in 2019 to $50 million in 2020, and increased $8 million from $13 million in 2018 to $21 million in 2019. Other assets include receivable for investments sold, investment income receivable, beneficial interests in irrevocable split-interest agreements administered by third parties and all other assets. Year-over-year changes are primarily due to changes in receivable for investments sold, which comprises $21 million and $7 million of the increase in other assets for 2020 and 2019, respectively. The receivable for investments sold reflects timing differences in cash settlements for trades executed just prior to fiscal year end. In addition, $8 million of the change for 2020 represents the value of securities borrowed for short sale transactions.

Liabilities

Foundation's liabilities increased $61 million, or 19 percent, to $380 million in 2020 from $319 million in 2019 compared to an increase of $9 million, or 3 percent from 2018 to 2019 and include accounts payable and other liabilities, funds held for others and obligations under life income agreements.

The increase is attributable to funds held for external pool participants. These balances increased $3 million and $10 million from 2019 to 2020 and 2018 to 2019, respectively, reflecting the increased market value attributable to external pool participants, and additions to the EIP by external pool participants.

Deferred inflows of resources

Deferred inflows of resources represent an acquisition of resources that will be recognized as revenue in a future reporting period. They do not represent revenue relating to the current fiscal year, and they are not liabilities owed by the Foundation. Amounts shown as deferred inflows in the Foundation's Statements of Net Position represent the fair value of the Foundation's interest in irrevocable split interest agreements where the Foundation is a trustee and remainderman, or in trusts held by third parties where the Foundation is a remainderman.

Year-over-year change in deferred inflows of resources reflect split interest activity for the year. This activity includes acquisition of new split interest agreements, actuarial changes in liabilities to beneficiaries and change in market value. Revenue is recognized as agreements are realized, and the deferred inflow is reduced.

Net position

Net position represents the residual interest in assets after all liabilities and deferred inflows of resources are deducted. Net position increased $195 million, or 10 percent, and is $2.2 billion at 2020 and $2.0 billion at 2019 compared to an increase of $106 million, or 6 percent from 2018. Net position is classified and reported based on the presence, or absence, of donor-imposed restrictions.

Restricted nonexpendable net position includes the corpus of the Foundation's permanent endowments. At $907 million, $836 million and $720 million, restricted nonexpendable net position comprises 42 percent, 43 percent and 39 percent of total net position for 2020, 2019 and 2018, respectively. Increases of $71 million, or 8 percent from 2019 to 2020 and $116 million, or 16 percent from 2018 to 2019 are primarily due to receipt of gifts intended for permanent endowments and also include reclassification of the underwater portion of permanent endowments with a market value that is less than their historic gift value from restricted, nonexpendable to restricted expendable net assets.

Restricted, expendable net position includes gifts that are subject to donor designated restrictions governing their use by particular entities or programs, or for specific purposes or functions of UCSF; they also include donor and internally designated quasi-endowments which may be expended, and endowment income and change in fair market value. At $1.2 billion, $1.1 billion and $1.1 billion, restricted expendable net position comprises 58 percent, 57 percent and 61 percent of total net position for 2020, 2019 and 2018, respectively. The increase of $124 million from 2019 to 2020 and decrease of $11 million from 2018 to 2019 is primarily due to receipt of current use gifts and gifts and other funds intended for quasi-endowments, and investment income, offset by distributions to UCSF and change in fair market value.

UCSF Foundation Results of Operations

The Foundation’s condensed statements of revenues, expenses and changes in net position present the Foundation’s operating and nonoperating results and other changes in net position. The table below summarizes the Foundation’s results, and the sections following the table provide additional details.

(in millions of dollars)				Increase (decrease) from 2019 to 2020		Increase (decrease) from 2018 to 2019	
	2020	2019	2018	$ Change	% Change	$ Change	% Change
OPERATING REVENUES							
Contributions	$451	$251	$356	$200	80 %	($105)	(29)%
Total operating revenues	**451**	**251**	**356**	**200**	**80**	**(105)**	**(29)**
OPERATING EXPENSES							
Distributions to UCSF and other operating expenses	411	340	294	71	21	46	16
Total operating expenses	**411**	**340**	**294**	**71**	**21**	**46**	**16**
Income (loss) from operations	**40**	**(89)**	**62**	**129**	**145**	**(151)**	**(244)**
NONOPERATING INCOME							
Investment income, net of investment expense	8	15	29	(7)	(47)	(14)	(48)
Net increase (decrease) in fair value of investments	79	66	170	13	20	(104)	(61)
Total nonoperating income (loss)	**87**	**81**	**199**	**6**	**7**	**(118)**	**(59)**
Net income (loss) before other changes in net position	**127**	**(8)**	**261**	**135**	**1,688**	**(269)**	**(103)**
OTHER CHANGES IN NET POSITION							
Additions to permanent endowments	68	114	104	(46)	(40)	10	10
Increase (decrease) in net position	**195**	**106**	**365**	**89**	**84**	**(259)**	**(71)**
NET POSITION							
Beginning of year	1,956	1,850	1,503	106	6	347	23
Cumulative effect of accounting change			(18)			18	100
Beginning of year, as restated	1,956	1,850	1,485	106	6	365	25
End of year	**$2,151**	**$1,956**	**$1,850**	**$195**	**10 %**	**$106**	**6 %**

Operating revenues

Operating revenues, consisting of income from fundraising activities, including gifts for current use and quasi-endowments, increased $200 million, or 80 percent, to $451 million in 2020 from $251 million in 2019 compared to an decrease of $105 million, or 29 percent from $356 million in 2018. Operating revenues fluctuate based on results of fundraising activities conducted throughout the year. Contributions result from donor interests, long-term donor cultivation and specific appeals for immediate needs. Timing and amounts are not entirely predictable and the Foundation expects fluctuations in contribution revenue from year to year.

For 2020, significant gifts and pledges were recognized in support of UCSF's mission of research, education, and patient care with notable contributions to COVID-19 Response, Global Brain Health Institute, UCSF Health and Benioff Children's Hospitals, Center for Vision Neuroscience, School of Dentistry Dean's Fund, Weill Neurosciences Building, Weill Institute for Neurosciences and Weill Neurohub, Dolby Family Center for Mood Disorders, and UCSF Precision Cancer Medicine Building.

For 2019, significant gifts and pledges were recognized in support of UCSF's mission of research, education, and patient care with notable contributions to UCSF Helen Diller Family Comprehensive Cancer Center, UCSF Precision Cancer Medicine Building, Center for Vision Neuroscience at Mission Bay, UCSF Benioff Children's Hospital Oakland, and Brain Tumor Research Center.

For 2018, significant gifts and pledges were recognized in support of UCSF’s mission of research, education, and patient care with notable contributions to ImmunoX Initiative, Computational Health Sciences Institute, Center for Vision Neurosciences, Weill Institute for Neurosciences, and Dolby Family Center for Mood Disorders.

Operating expenses

Operating expenses increased $71 million, or 21 percent in 2020 to $411 million from $340 million in 2019. Operating expenses increased $46 million, or 16 percent in 2019 from $294 million in 2018. Distributions to UCSF are based on UCSF’s programmatic needs, subject to gift restrictions and the amount available in any particular year. They include transfers of gifts intended to fund capital projects, as well as gifts for other purposes and endowment income.

Distribution to UCSF for spending varied year over year. The table below illustrate how distributions from the Foundation to UCSF for spending changed for the fiscal years ended June 30, 2020, 2019 and 2018:

(in millions of dollars)				Increase (decrease) from 2019 to 2020		Increase (decrease) from 2018 to 2019	
	2020	2019	2018	$ Change	% Change	$ Change	% Change
CAPITAL PROJECTS							
Mission Bay Block 33 Center for Vision Neuroscience Building	$22	$21	$29	$1	5 %	($8)	(28)%
Mission Bay Hospital Complex	5	15		(10)	(67)	15	100
Mission Bay Precision Medicine Cancer Building	11	11	16			(5)	(31)
Zuckerberg San Francisco General Academic and Research Building		2		(2)	(100)	2	100
Sandler Neurosciences Conference Center	1	2		(1)	(50)	2	100
Marson Lab	1			1	100		
2130 Third Street - Child, Teen & Family Center and Department of Psychiatry			1			(1)	(100)
Mission Bay Block 23A Weil Neurosciences Building	12	3		9	300	3	100
Total capital projects	**52**	**54**	**46**	**(2)**	**(4)**	**8**	**17**
OTHER NONCAPITAL PROJECTS							
Research / faculty support	220	163	160	57	35	3	2
Institutional support	57	64	46	(7)	(11)	18	39
Instruction	16	17	11	(1)	(6)	6	55
Medical Center / Teaching Hospital	44	23	5	21	91	18	360
Other	16	17	18	(1)	(6)	(1)	(6)
Total other non-capital projects	**353**	**284**	**240**	**69**	**24**	**44**	**18**
Total distributions to UCSF for spending	**$405**	**$338**	**$286**	**$67**	**20 %**	**$52**	**18 %**

Nonoperating income

Nonoperating income includes the results of all investment activities. Endowment investment activities are the source for endowment payout.

Net investment income consists of dividends, interest and other investment income offset by investment manager fees. Net investment income decreased $7 million, or 47 percent, from $15 million in 2019 to $8 million in 2020; Net investment income decreased $14 million or 48 percent from $29 million in 2018. Years prior to 2019 reflect distributions from the real estate limited partnership gifted to the Foundation in 2015, and receipt of dividends from the Foundation’s BVSF Holdings, Inc. subsidiary. These investments were sold in 2018.

Net increase (decrease) in fair value of investments, comprised of net realized gain (loss) and change in unrealized gain (loss), was $79 million for 2020 compared to $66 million in 2019 and $170 million in 2018. Change in fair value reflects results for unendowed, endowed and trust investment activities.

For 2020, the Foundation's Endowed Investment Pool (EIP) return, including investment income and expense and change in fair market value, is 5.3%. Strong global equity markets and robust activity in the private markets were the main sources of return. Diversifying investments were hampered by poor performance from the long/short equity mangers. Premium Return (private equity) had good returns, and that portion of the portfolio has grown to 23%, so it is now a significant contributor to performance.

EIP return for 2019 was 4.5%. Strong global equity markets and notable contributions from diversifying managers were the main sources of return.

EIP return for 2018 was 9.6%, with EIP performance driven primarily by the equity portfolio and the rising stock market, but there was broad contribution from all asset classes other than cash and fixed income.

Endowment payout is drawn from the accumulated market value of the EIP, comprised of corpus, current year net investment income, and accumulated income and gains. Payout for 2020 is $85 million, compared to $74 million and $63 million for 2019 and 2018, respectively. These amounts are net of the Foundation’s cost recovery fee and represent spendable funds available to campus departments and external pool participants for program support. Total payout increases each year as the Foundation’s endowment grows, and payout reflects earnings on funds functioning as endowments that were established with proceeds from the 2018 sale of the Foundation’s real estate limited partnership interests.

Other changes in net position—additions to permanent endowments

The Foundation's endowment continues to grow year-over-year. For 2020, gifts to permanent endowments decreased $46 million, from $114 million in 2019 to $68 in 2020; additions to permanent endowment totaled $104 million in 2018.

The largest gifts to permanent endowments for 2020 were for Arthur & Toni Rembe Rock Fund for School of Medicine Scholarships, William K. Bowes, Jr. Biomedical Investigator Program, Bakar Institute Faculty Support Endowment, Bakar ImmunoX Faculty Support Endowment, and Ute & William K. Bowes, Jr. Distinguished Professorship Program.

The largest gifts to permanent endowments for 2019 were for UCSF Helen Diller Family Comprehensive Center, Benioff Professorships in Children's Health, Bakar Computational Health Sciences Institute, and John Douglas French Endowed Professorships.

Patient Care

New Neurology Clinic

An $18 million gift from Jan Shrem and Maria Manetti Shrem will launch a new neurology clinic at UCSF Medical Center at Mission Bay for patients with difficult to diagnose cases. Our continuous advancement would not be possible without the generosity from our donors.

Looking Forward

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

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

The Governor signed the 2020-21 State Budget Act on June 29, 2020. State funds allocated to the University totaled $3.5 billion, which reflect a decrease of 7 percent to the University's base budget. In total, the University received a reduction of $259.3 million to its ongoing support, with permanent funding provided for the following: $25 million for the UC Riverside School of Medicine and $15 million for the UCSF Fresno branch campus.

UCSF and the University remains highly competitive in attracting federal grants and contracts revenue, with fluctuations in the awards received closely paralleling trends in the budgets of federal research granting agencies. Over two-thirds of the University's federal research revenue comes from two agencies, the Department of Health and Human Services, primarily through the National Institutes of Health, and the National Science Foundation.

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

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

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

Cautionary Note Regarding Forward-Looking Statements

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

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

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO

STATEMENTS OF NET POSITION

At June 30, 2020 and 2019 *(in thousands of dollars)*

	UCSF		UCSF FOUNDATION	
	2020	2019	2020	2019
ASSETS				
Cash and cash equivalents	$1,623,026	$1,161,466	$175,842	$164,863
Short-term investments	1,583,280	1,671,458	11,995	22,401
Receivable for investments sold			36,540	15,152
Investments held by trustee	149,962	539,026		
Accounts receivable, net	1,071,478	1,063,354		
Pledges receivable, net	671	1,930	26,538	35,838
Notes and mortgages receivable, net	4,026	2,583		
Inventories	97,686	57,802		
Other current assets	211,530	157,028	8,098	683
Current assets	**4,741,659**	**4,654,647**	**259,013**	**238,937**
Restricted assets			94,439	220,479
Investments	2,955,575	2,598,184	2,167,562	1,787,585
Pledges receivable, net	535	13	33,529	54,328
Notes and mortgages receivable, net	21,140	25,372		
Capital assets, net	5,705,431	5,261,907		
Other noncurrent assets	58,059	83,195	5,085	4,935
Noncurrent assets	**8,740,740**	**7,968,671**	**2,300,615**	**2,067,327**
Total assets	**13,482,399**	**12,623,318**	**2,559,628**	**2,306,264**
DEFERRED OUTFLOWS OF RESOURCES	3,214,369	2,352,487		
LIABILITIES				
Accounts payable	402,688	436,900	12,448	419
Accrued salaries and benefits	398,206	460,981		
Obligations under life income agreements			2,694	2,476
Unearned revenue	156,306	225,078		
Current portion of long-term debt	172,384	77,964		
Funds held for others	422	1,119	4,233	3,469
Third party payor settlements, net	206,281	179,526		
Other current liabilities	422,822	150,520	65,367	28,913
Current liabilities	**1,759,109**	**1,532,088**	**84,742**	**35,277**
Federal refundable loans	23,595	30,238		
Funds held for external pool participants			262,713	260,721
Obligations under life income agreements			22,018	22,802
Long-term debt	3,657,145	3,334,615		
Due to University	922,899	812,268		
Net pension liability	3,978,071	3,231,079		
Net retiree health benefits liability	4,535,513	3,642,766		
Self insurance	17,350	19,054		
Other noncurrent liabilities	78,562	62,917	10,115	486
Noncurrent liabilities	**13,213,135**	**11,132,937**	**294,846**	**284,009**
Total liabilities	**14,972,244**	**12,665,025**	**379,588**	**319,286**
DEFERRED INFLOWS OF RESOURCES	1,350,832	1,239,434	28,888	31,377

NET POSITION				
Net investment in capital assets	2,454,819	1,828,547		
Restricted:				
Nonexpendable: endowments and gifts	517,941	515,063	907,373	836,001
Expendable: endowment and gifts	2,325,147	2,021,648	1,243,403	1,119,201
Expendable: other, including debt service, loans, capital projects and appropriations	439,297	474,378		
Unrestricted	(5,363,512)	(3,768,290)	376	399
Total net position	**$373,692**	**$1,071,346**	**$2,151,152**	**$1,955,601**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2020, and 2019 *(in thousands of dollars)*

	UCSF		UCSF FOUNDATION	
	2020	2019	2020	2019
OPERATING REVENUES				
Student tuition and fees, net	$60,687	$60,094		
Grants and contracts, net				
Federal	803,280	770,841		
State	105,000	91,184		
Private	438,196	428,022		
Local	225,640	226,584		
Sales and services:				
Medical center, net	4,747,624	4,530,333		
Other clinical revenue and educational activities, net	318,711	314,004		
Auxiliary enterprises, net	68,911	73,442		
UCSF Foundation private gifts			$451,554	$250,828
Other operating revenues, net	316,935	276,917		
Total operating revenues	**7,084,984**	**6,771,421**	**451,554**	**250,828**
OPERATING EXPENSES				
Salaries and wages	3,853,058	3,532,792		
Benefits	2,182,178	1,738,272		
Scholarships and fellowships	35,540	35,330		
Utilities	42,498	41,333		
Supplies and materials	981,141	900,154		
Depreciation and amortization	349,803	348,858		
UCSF Foundation grants			405,264	337,159
Professional and purchased services	618,215	577,591		
Subaward expenses	173,018	179,945		
Other operating expenses	350,347	381,501	5,753	3,335
Total operating expenses	**8,585,798**	**7,735,776**	**411,017**	**340,494**
Operating income (loss)	**(1,500,814)**	**(964,355)**	**40,537**	**(89,666)**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	187,854	172,565		
Federal financing appropriations	22,182	22,161		
State financing appropriations	3,298	3,509		
Private gifts, net	384,902	322,656		
Investment income, net	166,271	159,642	7,887	14,805
Increase in fair value of investments	(5,556)	154,704	78,689	66,086
Interest expense	(158,400)	(100,975)		
Patent income	6,060	27,194		
Gain (loss) on disposal of capital assets	(6,688)	(3,542)		
Other nonoperating revenues (expenses)	156,893	(11,513)		
Total nonoperating revenues	**756,816**	**746,401**	**86,576**	**80,891**
Income (loss) before other changes in net position	**(743,998)**	**(217,954)**	**127,113**	**(8,775)**
OTHER CHANGES IN NET POSITION				
Capital gifts and contracts	57,686	59,406		
Additions to permanent endowment			68,438	113,882

Changes in allocation for pension payable to University	(15,324)	3,534		
Capital support to University and other	3,982	(5,882)		
Total other changes in net position	**46,344**	**57,058**	**68,438**	**113,882**
Increase (decrease) in net position	**(697,654)**	**(160,896)**	**195,551**	**105,107**
NET POSITION				
Beginning of year	1,071,346	1,232,242	1,955,601	1,850,494
Net position, end of year	**$373,692**	**$1,071,346**	**$2,151,152**	**$1,955,601**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO

STATEMENTS OF CASH FLOWS

Years ended June 30, 2020 and 2019 *(in thousands of dollars)*

	UCSF		UCSF FOUNDATION	
	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	$54,943	$59,151		
Grants and contracts	1,588,001	1,523,023		
UCSF Health	4,971,238	4,827,091		
Educational activities	318,711	314,004		
Auxiliary enterprises	72,548	74,165		
UCSF Foundation private gifts			$361,168	$238,884
Payments to employees	(3,874,093)	(3,413,178)		
Payments to suppliers and utilities	(2,473,990)	(2,242,393)		
Payments for employee and retiree benefits	(1,242,497)	(1,862,986)		
Payments for scholarships and fellowships	(35,540)	(35,330)		
Other operating receipts/(payments)	551,057	960,658	(381,559)	(331,729)
Net cash provided (used) by operating activities	**(69,622)**	**204,205**	**(20,391)**	**(92,845)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	187,854	172,565		
State hospital fee program				
Private gifts for endowment purposes			64,626	103,109
Other private gifts	385,639	326,200		
Receipt of patent income	6,060	27,194		
Health system support		(7,608)		
Other receipts (payments)	162,919	(3,915)	12,676	11,731
Net cash provided by noncapital financing activities	**742,472**	**514,436**	**77,302**	**114,840**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
State and federal financing appropriations	25,480	25,670		
Capital gifts and grants	57,686	59,406		
Proceeds from debt issuance	469,254	11,771		
Gain (Loss) from the sale of capital assets	(8,700)	(6,675)		
Purchase of capital assets	(795,422)	(747,581)		
Principal paid on debt and financing obligations	(51,599)	(29,642)		
Interest paid on debt and financing obligations	(159,029)	(106,036)		
Other	(20,745)	(4,996)		
Net cash used by capital and related financing activities	**(483,075)**	**(798,083)**		
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income, net of investment expenses	166,344	169,066	7,807	14,502
Distributions from (contributions to) joint ventures	(14,281)			
Proceeds from sale of donated securities			120,828	66,190
Proceeds from sales and maturities of investments	11,461		328,295	290,090
Purchase of investments, net	(105,604)	(418,466)	(628,902)	(404,304)
Additions to (drawdown of) investments held by trustees	389,064	385,975		
Change in restricted assets	(470,022)			
Other non-operating revenues, net	294,823	(8,607)		
Net cash provided (used) by investing activities	**271,785**	**127,968**	**(171,972)**	**(33,522)**

Net increase (decrease) in cash and cash equivalents	**461,560**	**48,526**	**(115,061)**	**(11,527)**
Cash and cash equivalents, beginning of year	1,161,466	1,112,940	385,342	396,869
Cash and cash equivalents, end of year	**$1,623,026**	**$1,161,466**	**$270,281**	**$385,342**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO

STATEMENTS OF CASH FLOWS *(continued)*

Years ended June 30, 2020 and 2019 *(in thousands of dollars)*

	UCSF		UCSF FOUNDATION	
	2020	2019	2020	2019
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	($1,500,814)	($964,355)	$40,537	($89,666)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization expense	349,803	348,858		
Allowance for uncollectible accounts	47,739	1,694	(646)	(587)
Donated securities, excluding permanent endowment			(119,285)	(60,077)
Change in unamortized discount on pledges			(1,000)	(552)
Change in assets and liabilities:				
Accounts receivable	(49,382)	(95,829)		
Pledges receivable			31,744	49,352
Inventories	(39,884)	(1,887)		
Other assets	(18,929)	(51,140)		
Deferred outflows of resources		(1,201,141)		
Accounts payable	(33,797)	65,722		
Accrued salaries	(62,775)	117,934		
Retiree health and other employee benefits	302,283	1,471,151		
Pension benefits	699,248	397,417		
Deferred revenue	(68,772)	98,916		
Annuities payable and liabilities to life beneficiaries			361	3,076
Other liabilities	305,658	(14,160)	28,898	3,438
Deferred inflows of resources		31,025	(1,000)	2,171
Net cash provided (used) by operating activities	**($69,622)**	**$204,205**	**($20,391)**	**($92,845)**

SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired with a liability at year-end	$58,360	$41,862		
Capital assets acquired through capital lease at year-end	1,929	1,115		
Gifts of marketable securities			$153	$59,754
Noncapital financing - Permanent endowments receipt of securities			119,132	10,773
Beneficial interest in irrevocable split interest agreements			3,812	323
Change in fair value of interest rate swaps classified as hedging derivatives	(2,389)	(1,885)		
Capital asset transfers from (to) University	(20)			
Amortization of deferred financing costs	883	966		
Amortization of bond premiums and cost of issuance write-off	(12,283)	(12,207)		

See accompanying Notes to Financial Statements

Notes to Financial Statements

Organization

The University of California ("the University") was founded in 1868 as a public, state-supported institution. The California State Constitution provides that the University shall be a public trust administered by the corporation, "The Regents of the University of California," which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The majority of the 26-member independent governing board ("The Regents") is appointed by the governor and approved by the state Senate. Various University programs and capital outlay projects are funded through appropriations from the state's annual Budget Act. The University's financial statements are discretely presented in the state's basic financial statements as a component unit. Additionally, the University's financial statements, which cover ten campuses, five medical schools and medical centers, four law schools, and a statewide Division of Agricultural and Natural Resources, along with a number of other fiduciary activities, are subjected to an independent annual audit.

Financial Reporting Entity

University of California, San Francisco

The University of California, San Francisco (UCSF) was founded in 1874 and is one of the ten campuses that comprise the University. UCSF is a leading university dedicated to promoting health worldwide through advanced biomedical research, graduate-level education in the life sciences and health professions, and excellence in patient care. It consists of the schools of medicine, dentistry, nursing, and pharmacy, the graduate division (collectively, the Campus), as well as UCSF Medical Center, UCSF Faculty Clinical Practices, Langley Porter Psychiatric Hospital and Clinics, and Benioff Children's Hospital (collectively, UCSF Health). UCSF is the only campus of the University of California that is devoted exclusively to graduate and professional education and training in the health sciences.

UCSF's financial statements include the accounts of the Campus and UCSF Health. The Campus includes the Campus Facilities Improvement Association (CFIA), a legally separate, not-for-profit public benefit corporation, established for charitable and educational purposes, including facilitating the development, financing, construction and management of buildings and facilities. All members of the Board of Directors of CFIA are appointed by and can be removed by The Regents. The Regents have the authority to approve the budget for CFIA. CFIA provides services almost entirely for the benefit of The Regents on behalf of UCSF. Accordingly, CFIA is included in UCSF's financial reporting entity as a blended component unit. The operations of most student government or associated student organizations are also included in the reporting entity because UCSF has certain fiduciary responsibilities for these organizations.

The University of California system is subjected to an annual audit of the consolidated financial statements. UCSF's financial statements are included in the University of California's consolidated financial statements. The financial statements for UCSF have not been separately audited.

The University of California, San Francisco Foundation

Under University policies approved by The Regents, each individual campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach and other support for the missions of the Campus and the University. The University of California, San Francisco Foundation (the Foundation) was incorporated in 1982 as a not-for-profit public benefit corporation organized for the purpose of accepting and administering the full range of private contributions to UCSF. Although governed by an independent board, the Foundation is affiliated with, and its assets are dedicated for, the sole benefit of UCSF. The financial activities of the separately incorporated Foundation are not recorded at UCSF until such time as gifts are transferred from the Foundation to the Campus or UCSF Health. However, the Foundation activity is included in the UCSF financial statements and footnotes in separate columns as a discretely presented component unit. Additional information about the Foundation may be found in their stand-alone audited financial statements.

UCSF Benioff Children's Hospital Oakland

The Regents are also the sole corporate and voting member of UCSF Benioff Children's Hospital Oakland (BCHO), a private, not-for-profit 501(c)(3) corporation. A Board of Directors comprised primarily of independent directors serves as the governing body of BCHO. Certain corporate powers are reserved to The Regents, including the power to appoint and remove directors and to approve BCHO's strategic plan and budget. Children's Hospital and Research Center Foundation ("BCHO Foundation"), a nonprofit public benefit corporation, is organized and operated for the purpose of supporting BCHO. UCSF Health provides certain management services for BCHO. Since UCSF has the ability to impose its will on BCHO, under GASB requirements, the results of BCHO, including its foundation, are consolidated as part of UCSF and are included as part of UCSF's results.

Significant Accounting Policies

The financial statements of UCSF and the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic resources measurement focus and the accrual basis of accounting. UCSF and the Foundation follow accounting principles issued by the Governmental Accounting Standards Board (GASB).

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective prospectively for UCSF's fiscal year beginning July 1, 2020. The Statement requires that interest cost incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred. As a result, interest costs would not be capitalized as part of the asset's historical cost. For construction in progress, interest cost incurred after applying this Statement No. 89 will not be capitalized. UCSF implemented this standard effective July 1, 2019.

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

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

New accounting pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for UCSF's fiscal year beginning July 1, 2019. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or an equivalent arrangement that meets specific criteria. UCSF is evaluating the effect Statement No. 84 will have on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for UCSF's fiscal year beginning July 1, 2020. This Statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. UCSF is evaluating the effect Statement No. 87 will have on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for UCSF's fiscal year beginning July 1, 2021. The Statement defines a conduit debt obligation and clarifies the accounting and financial reporting for conduit debt obligations with additional or voluntary commitments by issuers. UCSF is evaluating the effect that Statement No. 91 will have on its financial statements.

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

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

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

Cash and cash equivalents. Cash and cash equivalents consist of bank deposits and balances in money market funds held in nationally recognized banking institutions, and balances held in The Regents Short Term Investment Pool (STIP). The STIP pool has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. Balances include amounts held for endowment purposes that are classified as noncurrent cash and cash equivalents.

UCSF and the Foundation consider all balances in demand deposit accounts to be cash. UCSF classifies all other highly liquid cash equivalents with original maturities less than one year as short-term investments.

STIP allows participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities and is managed to maximize current earned income. Cash to provide for payroll, construction expenditures, and other operating expenses for campuses and medical centers is invested in STIP. Investments authorized by The Regents for STIP include fixed-income securities with a maximum maturity of 5.5 years.

Substantially all of UCSF’s cash and cash equivalents are invested in STIP. Investment income is reported as nonoperating revenue in the statements of revenues, expenses and changes in net position.

Additional information on cash and investments can be obtained from the University’s Annual Financial Report of the University.

Investments. UCSF’s investments consist of investments in the UC Regents Total Return Investment Pool (TRIP) and General Endowment Pool (GEP). The Regents, as the governing body, are responsible for the oversight of the University’s investments and establish investment policy, which is carried out by the Chief Investment Officer. Asset allocation guidelines are provided to the campus foundations by the Investment Committee of The Regents.

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

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

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

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

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

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

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

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

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

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

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

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

Investments held by trustee. Investments held by trustee consist of bond proceeds held by the Treasurer of The Regents. Bond proceeds remain invested with the Treasurer until capital project costs are incurred.

Accounts receivable, net. Accounts receivable, net of allowance for uncollectible amounts, include reimbursements due from state and federal sponsors of externally funded research, patient billings, local government and private grants and contracts, amounts due from students, affiliation agreements, and other educational and auxiliary activities. Foundation receivables include receivables related to investments sold.

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

Beneficial interests in irrevocable split-interest agreements. The beneficial interests in irrevocable split-interest agreements represent the UCSF's right to the portion of the benefits from the irrevocable split-interest agreements that are administered by third parties and are recognized as an asset and deferred inflows of resources. These are measured at fair value and are reported as other noncurrent assets in the statement 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.

Notes and mortgages receivable, net. Loans to students, net of allowance for uncollectible amounts, are provided from federal student loan programs and from other sources. Home mortgage loans, primarily to faculty, are provided from the University's STIP and from other UCSF sources, and are collateralized by deeds of trust on properties concentrated in the San Francisco Bay Area.

Inventories. Inventories, consisting primarily of pharmaceuticals, medical supplies and printed forms, are stated on a first-in, first-out basis at cost.

Capital assets, net. Land, infrastructure, buildings and improvements, intangible assets, equipment, libraries, collections and special collections are recorded at cost at the date of acquisition, or estimated acquisition value at the date of donation in the case of gifts. Estimates of acquisition value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual value. Intangible assets include easements, land rights, trademarks, patents and other similar arrangements. Capital leases are recorded at the estimated present value of future minimum lease payments. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized if the cost exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of $5,000 and a useful life of more than one year is capitalized. Incremental costs, including salaries and employee benefits, directly related to the acquisition, development and installation of major software projects are included in the cost of the capital assets. All costs of land, library collections and special collections are capitalized.

Depreciation is calculated using the straight-line method over the estimated economic life of the asset. Equipment under capital leases is amortized over the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the applicable lease or the economic life of the asset.

Estimated economic lives are generally as follows:

(shown in years)	
Infrastructure	25
Land improvements	5-20
Buildings and improvements	10-40
Equipment	2-20
Computer software	3-7
Intangible assets	2 - indefinite
Library books and collections	15

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

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

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

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

Unearned revenue. UCSF unearned revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees, and clinical trials. Foundation unearned revenue comprises conditional pledge payments received from a donor where the conditions and milestone events specified by the donor have not yet been met by the University.

Funds held for others. Funds held for others result from UCSF, or the Foundation, acting as an agent, or fiduciary, on behalf of organizations that are not significant or financially accountable to UCSF or the UCSF Foundation.

Federal refundable loans. Certain loans to students are administered by UCSF, with funding primarily supported by the federal government. UCSF's Statement of Net Position include both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Pollution remediation obligations. Upon an obligating event, UCSF estimates the components of any expected pollution remediation costs and recoveries from third parties. The costs, estimated using the expected cash flow technique, are accrued as other noncurrent liabilities.

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

Retiree health benefits and liability. The University established the University of California Retiree Health Benefits Trust (UCRHBT) to allow certain University locations and affiliates, including UCSF, 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. The Regents serve as trustee of UCRHBT and have the authority to amend or terminate the Trust.

UCRHBT receives the University's contributions toward retiree health benefits from campuses, medical centers and University affiliates. The University receives retiree health contributions from University affiliates and campus and medical center retirees that are deducted from their UCRP benefit payments. The University also remits these retiree contributions to UCRHBT. The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees. UCRHBT reimburses the University for these amounts.

The University's net retiree health benefits liability is measured as the total retiree health benefits liability, less the amount of the University of California Retiree Health Benefit Trust (UCRHBT) fiduciary net position. The fiduciary net position and changes in net position of UCRHBT has been measured consistent with the accounting policies used by the trust. The total retiree health benefits liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the health benefit trust's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Expense for retiree health benefits is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for retiree health benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

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

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

Pension obligations also include the net pension liability for the Retirement Plan for Children's Hospital & Research Center at Oakland ("CHRCO Plan"). The CHRCO Plan's net pension liability, pension expense and deferred inflows or outflows are measured and reported using methodologies consistent with those described above for UCSF's pension obligations.

Due to University. Additional deposits in UCRP have been made using University resources to fund the gap between the approved contribution rates and the required contributions based on The Regents funding policy. These deposits, carried as internal loans to the University, are being repaid, plus accrued interest, over a thirty-year period through a supplemental pension assessment. Supplemental pension assessments are reported as pension expense. Additional deposits in UCRP by the University and changes in the proportionate share of the internal loans, are reported as other changes in net assets.

Deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources and deferred inflows of resources represent a consumption and acquisition of net position that apply to a future period, respectively. UCSF classifies gains on refunding of debt as deferred inflows of resources and losses as deferred outflows of resources and amortizes such amounts as a component of interest expense over the shorter of the remaining life of the old or new debt.

UCSF and the Foundation classifies changes in irrevocable split-interest agreements as deferred inflows of resources.

UCSF classifies an increase in the fair value of the hedging derivatives as deferred inflows of resources, and a decrease as deferred outflows of resources.

Changes in net pension liability and net retiree health benefit liability not included in pension expense and retiree health benefits expense, respectively, are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension and retiree health liabilities are reported as deferred outflows of resources.

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

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

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

Nonexpendable.The net position subject to externally imposed restrictions, which must be retained in perpetuity by UCSF or the Foundation is classified as nonexpendable net position. This also includes Foundation permanent endowment funds.

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

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

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

Revenues and expenses. Operating revenues include receipts from student tuition and fees, grants and contracts for specific operating activities, sales and services from UCSF Health and faculty physicians practicing as the UCSF Faculty Practices, educational activities, and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of UCSF are presented in the statement of revenues, expenses and changes in net position as operating activities.

UCSF Health revenue includes 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. UCSF Health believe that they are in compliance with all applicable laws and regulations related to the Medicare and Medi-Cal programs. UCSF Health estimate and recognize a provision for uncollectible accounts based on historical experience. Substantially, all of UCSF Health’s operating expenses are directly or indirectly related to patient care activities.

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

The Foundation was established to financially support UCSF. Private gifts to the Foundation are recognized as operating revenues as the revenues are fundamental to the core mission of the Foundation. When the gift or grant is transferred from the Foundation to UCSF, UCSF records the revenue as either nonoperating revenue, or a capital gift or grant. The Foundation records these transfers as an operating expense.

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

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

State capital appropriations and capital gifts and grants are classified as other changes in net position.

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

UCSF recognizes certain scholarship allowances, including financial aid and fee waivers, as the difference between the stated charge for tuition and fees and the amount that is paid by the student, as well as by third parties making payments on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

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

Grants and contracts revenue. UCSF receives grants and contracts revenue from governmental and private sources. UCSF recognizes revenue associated with the direct cost of sponsored programs as the related expenditures are incurred for cost reimbursable awards and when service milestones or level of effort are met for fixed-price awards. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with UCSF's federal cognizant agency, the U.S. Department of Health and Human Services. For the year ended June 30, 2020, the facilities and administrative cost recovery totaled $293 million, which consisted of $197 million from federally sponsored programs and $96 million from other sponsors. For the year ended June 30, 2019, the facilities and administrative cost recovery totaled $279 million, which consisted of $187 million from federally sponsored programs and $92 million from other sponsors.

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

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

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

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

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

1. Cash and Cash Equivalents

The University maintains centralized management for substantially all of UCSF’s cash and cash equivalents. Cash and cash equivalents consist of bank deposits and balances in money market funds held in nationally recognized banking institutions, and balances held in The Regents Short Term Investment Pool (STIP). The STIP pool has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. Cash in demand deposit accounts is minimized by sweeping available cash balances into University investment accounts on a daily basis. UCSF had depository bank balances of $819,000 and $3 million at June 30, 2020 and 2019, respectively.

At June 30, 2020 and 2019, the carrying amount of the Foundation’s cash and cash equivalents was $270 million and $385 million, respectively, compared to bank balances of $250 million and $377 million, respectively. Deposits in transit and cash awaiting investment are the primary differences between the carrying amount and bank balances. Included in bank balances are deposits in STIP of $157 million and $324 million at June 30, 2020 and 2019, respectively.

Bank balances are collateralized by U.S. government and corporate money market securities held in the name of the bank, with the remaining uncollateralized bank balances insured by the Federal Deposit Insurance Corporation (FDIC) up to the Standard Maximum Deposit Insurance Amount of $250,000 per depositor and account ownership category at each institution. The Foundation's uncollateralized cash balances totaling $1.2 million are covered by the FDIC Standard Maximum Deposit Insurance as of June 30, 2020.

The Foundation does not have exposure to foreign currency risk in its demand deposit accounts.

2. Investments

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

	UCSF		FOUNDATION	
(in thousands of dollars)	**2020**	**2019**	**2020**	**2019**
EQUITY SECURITIES				
Domestic			$ 89,496	$ 61,998
Foreign			17,798	1,982
Equity securities			**107,294**	**63,980**
FIXED-INCOME SECURITIES				
U.S. Treasury bills, notes and bonds	$ 405	$ 442	208,217	198,792
U.S. government-backed, asset-backed			9,005	9,556
U.S. government guaranteed	**405**	**442**	**217,222**	**208,348**
OTHER U.S. DOLLAR DENOMINATED				
Corporate bonds			28,872	25,838
U.S. agencies, asset-backed			16,290	14,561
Corporate - asset-backed securities			20,117	22,093
Supranational/Foreign			933	1,430
Other U.S. dollar denominated			**66,212**	**63,922**
COMMINGLED FUNDS				
Absolute-return funds			519,788	458,144
Balanced funds	4,536,486	3,960,594	36,268	39,528
U.S. equity funds	890	963	347,069	300,265
Non-U.S. equity funds	351	395	284,332	287,990
U.S. bond funds	289	308		
Non-U.S. bond funds	131	147		
Money market funds	51	95		
Real estate/REIT			75,304	48,229
Commingled funds	**4,538,198**	**3,962,502**	**1,262,761**	**1,134,156**
Private equity			497,377	318,519
Publicly traded real estate investment trusts	252	270		
Real estate			13,480	13,483
Investment derivatives			10,941	
Other investments		306,428	4,270	7,578
Total investments	**4,538,855**	**4,269,642**	**2,179,557**	**1,809,986**
Less: Current portion	(1,583,280)	(1,671,458)	(11,995)	(22,401)
Noncurrent portion	**$2,955,575**	**$2,598,184**	**$2,167,562**	**$1,787,585**
Beneficiary interests in irrevocable split-interest agreements included in other assets			**4,185**	**4,048**
Total noncurrent	**$ 2,955,575**	**$ 2,598,184**	**$ 2,171,747**	**$ 1,791,633**

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

A description of the funds used is as follows:

Total Return Investment Pool (TRIP)

The Total Return Investment Pool (TRIP) allows participants the opportunity to maximize the return on their long-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP supplements STIP by investing in an intermediate-term, higher-risk portfolio allocated across equities, fixed-income and liquid alternative strategies, and allows participants to maximize the return on their long-term capital. The objective of TRIP is to generate a rate of return above the policy benchmark, after all costs and fees, consistent with liquidity, cash flow requirements and the risk. UCSF's investment in TRIP is classified as commingled balanced funds.

Investments in TRIP require at least 30 day notice to the University for any redemptions or withdrawals. Withdrawals will occur on the last business day of the month.

General Endowment Pool (GEP)

The General Endowment Pool (GEP) is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. GEP is a balanced portfolio of equities, fixed-income securities and alternative investments. The primary goal is to maximize long-term total return, growth of principal and a growing payout stream to ensure that future funding for endowment-supported activities can be maintained. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements. UCSF's investment in GEP is classified as commingled funds. GEP is considered to be an external investment pool from UCSF's perspective.

Blue and Gold Pool (BGP)

The Blue and Gold Pool (BGP) is an investment pool established by The Regents and is available to the University and its related entities. The objective of BGP is to provide a low cost, liquid, diversified investment vehicle to invest long-term excess reserves to earn a higher return than would otherwise be expected from STIP and TRIP. To achieve liquidity, transparency and minimal expense, a passive investment strategy in equities and bonds is used. The investment was liquidated and the proceeds were transferred to STIP in 2020.

Foundation's Investments

As the Foundation's governing board, the Board of Directors retains ultimate fiduciary responsibility and authority for all matters related to investment of Foundation assets. Pursuant to the University's policies on campus foundations, the Foundation's Board of Directors has elected to oversee the management of its investments rather than delegating that function to The Regents.

The Foundation has entered into an investment management agreement with its Investment Company subsidiary to provide investment management services within the scope of the investment policy approved by the Board of Directors. The Investment Company is responsible for recommending investment guidelines and policy for approval by the Board of Directors. Investments managed by the Investment Company are associated with the Unendowed Investment Pool (UIP) and the Endowed Investment Pool (EIP) and trust assets.

Unendowed Investment Pool

All gifts intended for current expenditure and unspent EIP payout are invested in the UIP.

The UIP portfolio is managed so as to maximize returns consistent with safety of principal and liquidity considerations necessary to meet UCSF's cash flow requirements. Investment guidelines for the UIP provide for investment primarily in readily marketable money market and fixed income securities, and The Regents short-term investment pool (STIP). UIP Investment Guidelines address credit quality and concentration of credit risk, and provide for performance evaluation against relevant benchmarks.

Endowed Investment Pool

The Foundation's endowment and certain other balances are managed in a unitized investment pool. The EIP is the primary investment vehicle for endowed gift funds, and other balances include external entities who invest in the EIP. Participants may purchase or redeem shares monthly at the unitized value of the pool at the time of purchase or redemption. Payout is allocated to participants based on the number of shares held.

All EIP assets are classified as non-current regardless of maturity due to the long term nature of the intended use of gifts or affiliated entity funds invested in the pool.

EIP is not registered with the SEC and is not subject to any formal oversight other than that provided by the Board of Directors.

EIP investments authorized by the Board of Directors include cash and cash equivalents, readily marketable equity and fixed income securities, and alternative investments including hedge funds, private equity funds and real assets.

The equity portion of the endowed portfolio may include both domestic and foreign equities, including foreign currency denominated, common and preferred stocks, actively managed and passive (index) strategies.

The fixed income portion of the endowed portfolio may include both domestic and foreign securities, along with certain securitized investments, including mortgage-backed and asset-backed securities.

EIP cash is held as cash, money market mutual funds or The Regents STIP, with an objective of maximizing current income to the extent consistent with the preservation of capital and liquidity, and maintenance of a stable $1.00 per share net asset value.

EIP investment guidelines address credit quality and concentration of credit risk, and provide for performance evaluation against relevant benchmarks.

External Pool Participants

As a result of its affiliation with UCSF, BCHO Foundation entered into an agreement with the Foundation to manage the investment of their endowed and unrestricted funds in the Foundation's EIP. BCHO Foundation's investment in EIP is classified as commingled funds. With the exception of unrestricted, non-endowed investments, BCHO Foundation is charged the same fee as all other pool participants.

Due to participation in the EIP by an affiliated foundation, the pool is considered a governmental external investment pool. The external portion of the EIP is presented in the financial statements as funds held for external pool participants. Such investments are not owned or contributed to the Foundation.

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

Because a separate annual financial report of the EIP has not been and is not planned to be issued, additional required disclosures are provided throughout the Foundation's financial statements.

The EIP's statement of net position and statement of operations and changes in net position as of and for the periods ended June 30, 2020 and 2019 are as follows:

(in thousands of dollars)	2020	2019
ASSETS		
Cash and cash equivalents	$94,438	$220,479
Receivable for investments sold	36,400	6,107
Accrued investment income	567	480
Investments	1,985,735	1,613,252
Other assets	7,509	11
Total assets	**2,124,649**	**1,840,329**
LIABILITIES		
Payable for investments purchased	11,703	20
Other liabilities	98,088	103
Total liabilities	**109,791**	**123**
NET POSITION AS HELD FOR ALL POOL PARTICIPANTS		
Internal portion	1,752,145	1,579,485
External portion	262,713	260,721
Total net position	**$2,014,858**	**$1,840,206**

(in thousands of dollars)	2020	2019
Revenues from investment income	$13,179	$14,810
Expenses for investment management	(11,921)	(9,615)
Net investment income	**1,258**	**5,195**
Realized gain	48,237	7,348
Change in unrealized gain	35,566	62,702
Net realized and unrealized gain	**83,803**	**70,050**
Income from operations	85,061	75,245
Distributions to participants	(92,092)	(79,548)
Net share transactions	181,683	180,039
Increase in net position	**174,652**	**175,736**
NET POSITION		
Beginning of year	1,840,206	1,664,470
End of year	**$2,014,858**	**$1,840,206**

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 investment behavioral 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.

Credit risk

Fixed-income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors, such as liquidity, financial weakness or bankruptcy. Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are considered to have little or no credit risk.

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

The primary purpose of the UIP is to invest funds to meet the spending needs of UCSF, and capital preservation and liquidity are the primary investment objectives of the UIP. The benchmark return for the unendowed portfolio, the Barclays 1-3 Year U.S. Treasury Index, reflects a return with minimal credit risk.

The primary purpose of the EIP fixed income asset class is to provide liquidity, generate income and maintain overall diversification. The benchmark return for the fixed income portion of the EIP is the Barclays 1-3 Year U.S. Treasury Index.

The credit risk profile for the investments at June 30, 2020 and 2019 are as follows:

	UCSF		UCSF FOUNDATION	
(in thousands of dollars)	2020	2019	2020	2019
FIXED- OR VARIABLE-INCOME SECURITIES:				
U.S. government guaranteed	$405	$442	$217,222	$208,348
OTHER U.S. DOLLAR DENOMINATED:				
AAA			5,296	11,762
AA			19,053	15,708
A			7,505	6,185
BBB			17,521	19,944
BB			2,323	
Not rated			14,514	10,323
COMMINGLED BOND FUNDS:				
U.S. bond funds - Not rated	289	308		
Non-U.S. bond funds - Not rated	131	147		
Money market funds - Not rated	51	95		

UCSF's commingled funds - balanced funds (GEP 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's and the Foundation's securities are registered in the University's and the Foundation's, respectively, name by the custodial bank as an agent for the University and the Foundation, respectively. Other types of investments represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk for such investments is remote.

Concentration of credit risk

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

The Foundation's investment policy requires that the portfolio be adequately diversified to limit exposure to concentration of credit risk.

Endowed portfolio investment policy for fixed income holdings requires that no more than 5 percent at market of the portfolio may be held in the securities of a single corporate issuer. Equity holdings are to be diversified according to economic sector, industry, number of holdings and other investment characteristics, with no more than 10 percent at purchase or 20 percent at market in any one issuer.

Unendowed portfolio investment policy specifies that no more than 5 percent of total assets will be invested in the securities of a single issuer at the time of purchase, with the exception of securities issued or guaranteed by the U.S. government, its agencies, or GSE's or collateralized by such securities or loans.

No single issuer comprised more than 5 percent of the Foundation's EIP investment balances in 2020 and 2019.

Interest-rate risk

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

Portfolio guidelines for the Foundation limit the maximum weighted average effective duration of the UIP to not greater than 125 percent of the benchmark, and seven years is the maximum stated maturity or average life for an individual security at the time of purchase.

The duration of the fixed income portion of the EIP is to be maintained between three and six years.

The effective durations for fixed- or variable-income securities at June 30 are as follows. Information presented does not take into account the relative weighting of the portfolio components to the total portfolio.

The effective duration of fixed-income securities at June 30, 2020 and 2019 follows.

	UCSF		UCSF FOUNDATION	
	2020	2019	2020	2019
FIXED-INCOME SECURITIES				
U.S. government				
U.S. Treasury notes	6.4	5.3	2.32	2.26
U.S. government-backed asset-backed securities			1.43	0.69
Other U.S. dollar denominated				
Corporate bonds			2.94	2.54
U.S. agencies - asset-backed securities			1.39	1.63
Corporate - asset-backed securities			1.43	0.75
Foreign currency denominated				
Government/Sovereign			3.13	3.38

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

In accordance with investment policies, investments may include mortgage pass-through securities, collateralized mortgage obligations, callable bonds, corporate asset-backed securities and other asset-back securities that are considered to be highly sensitive to changes in interest rates.

Mortgage pass-through securities

These securities are issued by the Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac), and include short embedded prepayment options. Unanticipated prepayments by the obligees of the underlying asset reduce the total expected rate of return.

Collateralized mortgage obligations

Collateralized mortgage obligations (CMOs) generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments make the fair value highly sensitive to changes in interest rates. In falling interest-rate environments, the underlying mortgages are subject to a higher propensity of prepayments. For an interest-only CMO, the reduced cash flow associated with the prepayments reduces the expected rate of return and causes the fair value to decline. For a principal-only CMO, the increased cash flows associated with the prepayments increase the expected rate of return and cause the fair value to increase. In a rising interest-rate environment, the opposite is true for both the interest-only and principal-only CMOs. The Foundation does not invest in principal-only or interest-only CMOs.

Corporate asset-backed securities

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

Callable bonds

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

At June 30, 2020 and 2019, the fair value of investments that are considered to be highly sensitive to changes in interest rates is as follows:

	UCSF		UCSF FOUNDATION	
(in thousands of dollars)	2020	2019	2020	2019
Mortgage pass-through securities			$14,466	$13,459
Corporate asset-backed securities			20,196	22,093
Collaterized mortgage obligations			10,673	10,658
Callable bonds				476
Total			**$45,335**	**$46,686**

At June 30, 2020 and 2019, the effective duration for fixed income securities that are considered to be highly sensitive to changes in interest rates is as follows:

	UCSF		UCSF FOUNDATON	
	2020	2019	2020	2019
Mortgage pass-through securities			1.27	1.57
Corporate asset-backed securities			1.43	0.75
Collaterized mortgage obligations			1.59	0.82
Callable bonds				2.64

Foreign currency risk

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

At June 30, 2020 and 2019, UCSF and the Foundation is subject to foreign currency risk as a result of holding various currency denominations in the following investments:

	UCSF		UCSF FOUNDATION	
(in thousands of dollars)	2020	2019	2020	2019
EQUITY SECURITIES				
Japanese Yen			$ 17,798	
British Pound				$ 913
Australian Dollar				1,069
Total equity securities			**17,798**	**1,982**
FIXED INCOME SECURITIES				
Mexican Peso			933	1,430
Total fixed income securities			**933**	**1,430**
COMMINGLED FUNDS (various currency denominations)				
Commingled funds - Non-U.S. equity	$351	$395	284,332	287,990
Commingled funds - Non-U.S. bonds	131	147		
Real estate investment trusts	84	92		
Commingled funds - Absolute return			248,026	275,600
Commingled funds - Private equity			93,375	40,798
Total commingled funds	**566**	**634**	**625,733**	**604,388**
Total exposure to foreign currency risk	**$566**	**$634**	**$644,464**	**$607,800**

Alternative investment risks

Alternative investments include ownership interests in a wide variety of partnership and fund structures that may be domestic or offshore. Generally, there is little or no regulation of these investments by the Securities and Exchange Commission or U.S. state attorneys general. These investments employ a wide variety of strategies including absolute return, hedge, venture capital, private equity and other strategies. Investments in this category may employ leverage to enhance the investment return. Underlying holdings can include financial assets such as marketable securities, non-marketable securities, derivatives, and synthetic and structured instruments; real assets; tangible and intangible assets; and other funds and partnerships. Generally, these investments do not have a ready market. Interest in these investments may not be traded without approval of the general partner or fund management.

Alternative investments are subject to all of the risks described previously related to equities and fixed income instruments. In addition, alternative strategies and their underlying assets and rights are subject to a broad array of economic and market vagaries that can limit or erode value. The underlying assets may not be held by a custodian either because they cannot be, or because the entity has chosen not to hold them in this form. Valuations determined by the investment manager, who has a conflict of interest in that he or she is compensated for performance are considered and reviewed by the Foundation and Investment Company management. Real assets may be subject to physical damage from a variety of means, loss from natural causes, theft of assets, lawsuits involving rights and other loss and damage including mortgage foreclosure risk. These risks may not be insured or insurable. Tangible assets are subject to loss from theft and other criminal actions and from natural causes. Intangible assets are subject to legal challenge and other possible impairment.

Endowment payout

For the years ended June 30, 2020 and 2019 endowment payout was allocated to UCSF Foundation donor-restricted endowment funds (internal pool) and external pool participants, as follows:

(in thousands of dollars)	2020	2019
Investment income, net	$6,658	$10,094
Net accumulated gains and corpus	78,424	63,440
Endowment payout	**$85,082**	**$73,534**

Endowment payout is shown net of endowment cost recovery fees of $7 million and $6 million for 2020 and 2019, respectively.

A portion of endowment payout may be reinvested if stipulated by agreement with the donor.

As a result of market volatility, the market value of some permanent endowments can be less than their historical gift value. The underwater amount of such endowments was $0.8 million and $0.2 million at June 30, 2020 and 2019, respectively. Under UPMIFA, investment income and accumulated realized and unrealized gains may be expended in support of the operational requirements of UCSF programs.

3. Fair Value Measurements

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

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

Level 1 – Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Level 1 investments include equity securities and 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 and other assets classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment.

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

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

The following tables summarize the investments and other assets reported at fair value within the fair value hierarchy as of 6/30/2020:

(in thousands of dollars)	UCSF				
	Quoted Prices in Active Market	Other Observable	Unobservable Inputs	Net Asset Value	
	(Level 1)	(Level 2)	(Level 3)	(NAV)	Total
U.S. GOVERNMENT GUARANTEED:					
U.S. Treasury bills, notes, and bonds		$405			$405
COMMINGLED FUNDS:					
U.S. equity funds	$890				890
Non-U.S. equity funds	351				351
U.S. bond funds	289				289
Non-U.S. bond funds	131				131
Money market funds	51				51
Balanced funds				$4,536,486	4,536,486
Publicly traded real estate investments trusts	252				252
Total	**$1,964**	**$405**		**$4,536,486**	**$4,538,855**

(in thousands of dollars)	UCSF FOUNDATION - Total Investments				
	Quoted Prices in Active Market	Other Observable	Unobservable Inputs	Net Asset Value	
	(Level 1)	(Level 2)	(Level 3)	(NAV)	Total
Equity securities	$107,294				$107,294
FIXED OR VARIABLE INCOME SECURITIES:					
U.S. government guaranteed		$217,222			217,222
Corporate bonds		28,872			28,872
Asset backed securities		36,407			36,407
Supranational/Foreign		933			933
COMMINGLED FUNDS:					
Absolute returns				$519,788	519,788
U.S. equity funds				347,069	347,069
Non-U.S. equity funds				284,332	284,332
Private equity			$19,266	478,111	497,377
Real estate/REIT				75,304	75,304
Balanced	36,268				36,268
Real estate			13,480		13,480
Derivative Instruments	10,941				10,941
Other investments	2,260		2,010		4,270
Total investments	156,763	283,434	34,756	1,704,604	2,179,557
Beneficial interests in split-interest agreements included in other assets			4,185		4,185
Total	**$156,763**	**$283,434**	**$38,941**	**$1,704,604**	**$2,183,742**

(in thousands of dollars)	Endowed Investment Pool Investments				
	Quoted Prices in Active Market	Other Observable	Unobservable Inputs	Net Asset Value	
	(Level 1)	(Level 2)	(Level 3)	(NAV)	Total
Equity securities	$107,294				$107,294
FIXED OR VARIABLE INCOME SECURITIES:					
U.S. government guaranteed		$157,353			157,353
COMMINGLED FUNDS:					
Absolute returns				$519,788	519,788
U.S. equity funds				347,069	347,069
Non-U.S. equity funds				284,332	284,332
Private equity			$19,266	478,111	497,377
Real estate/REIT				75,304	75,304
Derivative instruments	10,941				10,941
Total	**$118,235**	**$157,353**	**$19,266**	**$1,704,604**	**$1,999,458**

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

(in thousands of dollars)	UCSF				
	Quoted Prices in Active Market	Other Observable	Unobservable Inputs	Net Asset Value	
	(Level 1)	(Level 2)	(Level 3)	(NAV)	Total
U.S. GOVERNMENT GUARANTEED:					
U.S. Treasury bills, notes, and bonds		$442			$442
COMMINGLED FUNDS:					
U.S. equity funds	$963				963
Non-U.S. equity funds	395				395
U.S. bond funds	308				308
Non-U.S. bond funds	147				147
Money market funds	95				95
Balanced funds				$4,267,022	4,267,022
Publicly traded real estate investments trusts	270				270
Total	**$2,178**	**$442**		**$4,267,022**	**$4,269,642**

(in thousands of dollars)	UCSF FOUNDATION - Total Investments				
	Quoted Prices in Active Market	Other Observable	Unobservable Inputs	Net Asset Value	
	(Level 1)	(Level 2)	(Level 3)	(NAV)	Total
Equity securities	$63,980				$63,980
FIXED OR VARIABLE INCOME SECURITIES:					
U.S. government guaranteed		$208,348			208,348
Corporate bonds		25,838			25,838
Asset backed securities		36,654			36,654
Supranational/Foreign		1,430			1,430
COMMINGLED FUNDS:					
Absolute returns				$458,144	458,144
U.S. equity funds				300,265	300,265
Non-U.S. equity funds				287,990	287,990
Private equity			$10,110	308,409	318,519
Real estate/REIT				48,229	48,229
Balanced	39,528				39,528
Real estate			13,483		13,483
Other investments	4,667		2,911		7,578
Total investments	**108,175**	**272,270**	**26,504**	**1,403,037**	**1,809,986**
Beneficial interests in split-interest agreements included in other assets			4,048		4,048
Total	**$108,175**	**$272,270**	**$30,552**	**$1,403,037**	**$1,814,034**

(in thousands of dollars)	ENDOWED INVESTMENT POOL INVESTMENTS				
	Quoted Prices in Active Market	Other Observable	Unobservable Inputs	Net Asset Value	
	(Level 1)	(Level 2)	(Level 3)	(NAV)	Total
Equity securities	$63,980				$63,980
FIXED OR VARIABLE INCOME SECURITIES:					
U.S. government guaranteed		$150,155			150,155
COMMINGLED FUNDS:					
Absolute returns				$458,144	458,144
U.S. equity funds				300,265	300,265
Non-U.S. equity funds				287,990	287,990
Private equity			$9,356	295,133	304,489
Real estate/REIT				48,229	48,229
Total	**$63,980**	**$150,155**	**$9,356**	**$1,389,761**	**$1,613,252**

Level 3 investments, comprised primarily of direct and indirect holdings in real estate, are valued using a market-based approach.

Investment related commitments

The Foundation has contractual commitments to make additional investments in private equity and other privately structured investment vehicles reported at NAV. The following table presents significant terms of such agreements, including unfunded commitments, redemption frequency and redemption notice period, for the Foundation's alternative investments measured at NAV as of June 30, 2020:

(in thousands of dollars)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
INVESTMENT TYPE				
COMMINGLED FUNDS:				
Absolute return	$405,056		Monthly, Quarterly, Semi-Annually, Annually	30 - 90 days
Absolute return	114,732	$48,615	Not eligible for redemption	n/a
U.S. equity	284,346		Quarterly, Semi-Annually, Annually	45 - 90 days
U.S. equity	62,723	6,630	Not eligible for redemption	n/a
Non-U.S. equity	284,331		Weekly, Monthly, Quarterly, Semi-Annually, Annually	6 - 365 days
Private equity	478,112	316,337	Not eligible for redemption	n/a
Real estate/REIT	75,304	72,483	Not eligible for redemption	n/a
Total investments measured at NAV	**$1,704,604**	**$444,065**		

In addition to the amounts shown above, the Foundation has additional commitments totaling $92.2 million associated with investments where no capital has been called by the manager as of June 30, 2020.

4. Accounts Receivable, net

Accounts receivable and the allowances for uncollectible amounts at June 30, 2020 and 2019 for UCSF are as follows:

(in thousands of dollars)	2020			2019
	Campus	UCSF Health	Total UCSF	Total UCSF
Federal government	$89,289		$89,289	$94,433
State government	38,341		38,341	22,752
Local and private	83,145		83,145	103,721
Patient receivables		$730,160	730,160	744,601
Student	8,663		8,663	8,421
Other	100,098	98,740	198,838	159,899
Total accounts receivable	319,536	828,900	1,148,436	1,133,827
Less: Allowance for uncollectible amounts	(8,334)	(68,624)	(76,958)	(70,473)
Accounts receivable, net	$311,202	$760,276	$1,071,478	$1,063,354

Foundation net accounts receivable primarily consists of receivable for investments sold of $37 million at June 30, 2020 and $15 million at June 30, 2019. This is due to trade date versus settlement date differences with investment trades executed late in the fiscal year and where the cash settlement occurred after the fiscal year end.

5. Pledges Receivable, net

The composition of pledges receivable at June 30, 2020 and 2019 is as follows:

(in thousands of dollars)	UCSF		UCSF FOUNDATION	
	2020	2019	2020	2019
Total pledges outstanding	$1,242	$1,994	$62,397	$94,142
Less: Unamortized discount to fair value	(23)	(1)	(923)	(1,923)
Less: Allowance for uncollectible pledges	(13)	(50)	(1,407)	(2,053)
Total pledges receivable, net	**1,206**	**1,943**	**60,067**	**90,166**
Less: Current portion of pledges receivable	(671)	(1,930)	(26,538)	(35,838)
Noncurrent portion of pledges receivable, net	**$535**	**$13**	**$33,529**	**$54,328**

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

(in thousands of dollars)	UCSF	UCSF FOUNDATION
Pledges due in one year or less	$745	$27,606
Pledges due between one and five years	247	34,791
Pledges due in more than five years	250	
Total pledges outstanding	$1,242	$62,397

Pledges from one donor represent more than 10 percent of total pledges receivable at June 30, 2020, and pledges from two donors represent more than 10 percent individually of total pledges receivable at June 30, 2019. They represent 37 percent and 47 percent in the aggregate of total pledges receivable at June 30, 2020 and 2019, respectively.

In addition to the pledge balances and revenue reflected in these financial statements, the Foundation has pledges that will be recognized as conditions and milestone events are met by UCSF, and non-binding intentions that donors may satisfy through other related entities. Endowment pledges are also not reflected in these financial statements, and endowment pledge payments are recognized as additions to endowments at the time payments are received.

6. Notes and Mortgages Receivable

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

(in thousands of dollars)	2020	2019
Notes and mortgages receivable	$25,641	$28,586
Less: Allowance for uncollectible amounts	(475)	(631)
Total notes and mortgages receivable, net	**25,166**	**27,955**
Less: Current portion of notes and mortgages receivable	(4,026)	(2,583)
Noncurrent portion of notes and mortgages receivable, net	**$21,140**	**$25,372**

7. Land, Infrastructure, Buildings, Equipment, Libraries and Collections

UCSF's capital asset activity for the years ended June 30, 2020 and 2019 is as follows:

(in thousands of dollars)	2018	Additions	Disposals	2019	Additions	Disposals	2020
ORIGINAL COST							
Land	$493,616	$626		$494,242	$2,838		$497,080
Infrastructure	63,914			63,914			63,914
Buildings and improvements	5,782,283	175,789	($35)	5,958,037	707,319	($11,228)	6,654,128
Equipment and software	1,585,658	97,731	(43,513)	1,639,876	192,733	(34,711)	1,797,898
Libraries and collections	109,815	1,093	(493)	110,415	1,133	(304)	111,244
Construction in progress	572,531	479,179		1,051,710	(106,194)		945,516
Capital assets, at original cost	**$8,607,817**	**$754,418**	**($44,041)**	**$9,318,194**	**$797,829**	**($46,243)**	**$10,069,780**

(in thousands of dollars)	2018	Depreciation and Amortization	Disposals and Transfers	2019	Depreciation and Amortization	Disposals and Transfers	2020
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure, buildings and improvements	$2,523,160	$195,404	$30	$2,718,594	$211,512	($9,751)	$2,920,355
Equipment and software	1,144,213	153,213	(40,313)	1,257,113	137,994	(31,502)	1,363,605
Libraries and collections	80,393	251	(64)	80,580	297	(488)	80,389
Accumulated depreciation and amortization	**3,747,766**	**$348,868**	**($40,347)**	**4,056,287**	**$349,803**	**($41,741)**	**4,364,349**
Capital assets, net	**$4,860,051**			**$5,261,907**			**$5,705,431**

8. Debt

UCSF directly finances the construction, renovation and acquisition of certain facilities and equipment through the issuance of debt obligations. Commercial paper provide for interim financing. Long-term financing includes revenue bonds, capital lease obligations and other borrowings.

Outstanding debt

UCSF's outstanding debt at June 30, 2020 and 2019 is as follows:

(in thousands of dollars)	Interest Rate Ranges	Maturity Years	2020	2019
INTERIM FINANCING:				
Commercial paper	0.4-0.6%	2018	$93,212	$27,924
LONG-TERM FINANCING:				
University of California General Revenue Bonds	0.4-7.6%	2019-2115	1,587,038	1,616,858
University of California Limited Project Revenue Bonds	0.7-6.3%	2019-2058	280,028	282,760
University of California Medical Center Pooled Revenue Bonds	0.3-6.6%	2019-2049	1,303,045	901,380
Other capital lease obligations	0.0-6.0%	2019-2042	5,610	5,913
CFIA third-party obligations	5.0-6.5%	2049	378,650	378,650
Unamortized premiums, net			181,946	199,094
Total outstanding debt			**3,829,529**	**3,412,579**
Less: Current portion of outstanding debt			(172,384)	(77,964)
Total long-term debt			**$3,657,145**	**$3,334,615**

Interest expense associated with financing projects during construction, net of any investment income earned on tax-exempt bond proceeds during construction, was capitalized through June 30, 2019. Total interest expense during the years ended June 30, 2020 and 2019 was $158 million and $145 million, respectively. Interest expense, net of investment income, totaling $44 million was capitalized during the year ended June 30, 2019. The remaining $101 million in 2019 is reported as interest expense in the statement of revenues, expenses and changes in net position.

Outstanding debt activity

The activity with respect to UCSF's current and noncurrent debt for the years ended June 30, 2020 and 2019 is as follows:

YEAR ENDED JUNE 30, 2020 *(in thousands of dollars)*	Commercial Paper	University Revenue Bonds	Capital Leases	Third-Party CFIA	Total
Debt, beginning of year	$27,924	$2,962,989	$5,913	$415,753	$3,412,579
New obligations	65,660	401,665	1,929		469,254
Principal payments	(372)	(37,417)	(2,232)		(40,021)
Amortization of premiums		(10,433)		(1,850)	(12,283)
Total debt, end of year	**93,212**	**3,316,804**	**5,610**	**413,903**	**3,829,529**
Less: Current portion	(92,080)	(70,465)	(2,108)	(7,731)	(172,384)
Noncurrent portion	**$1,132**	**$3,246,339**	**$3,502**	**$406,172**	**$3,657,145**

YEAR ENDED JUNE 30, 2019 *(in thousands of dollars)*	Commercial Paper	University Revenue Bonds	Capital Leases	Third-Party CFIA	Total
Debt, beginning of year	$5,432	$3,006,129	$6,579	$417,371	$3,435,511
New obligations	22,864		1,115		23,979
Principal payments	(372)	(32,550)	(1,781)		(34,703)
Amortization of premiums		(10,590)		(1,618)	(12,208)
Total debt, end of year	**27,924**	**2,962,989**	**5,913**	**415,753**	**3,412,579**
Less: Current portion	(26,420)	(48,007)	(1,736)	(1,801)	(77,964)
Noncurrent portion	**$1,504**	**$2,914,982**	**$4,177**	**$413,952**	**$3,334,615**

Commercial paper

The commercial paper program is issued in two series with tax-exempt and taxable components. Commercial paper may be issued for interim financing for capital projects, interim financing of equipment, financing of working capital for the medical centers, standby or interim financing for gift financed projects and working capital for the UCSF Health.

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

University of California revenue bonds

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

General Revenue Bonds are collateralized solely by General Revenues as defined in the General Revenue Bond Indenture. General Revenues are certain operating and nonoperating revenues of UCSF consisting of gross student tuition and fees; a portion of state appropriations; facilities and administrative cost recovery from contracts and grants; revenues from educational, auxiliary and other activities; and other revenues, including unrestricted investment income. The General Revenue Bond Indenture requires UCSF to set rates, charges and fees each year sufficient for General Revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of General Revenues for interest rate swap agreements is on a parity basis with UCSF's General Revenue Bonds.

Limited Project Revenue Bonds are issued to finance auxiliary enterprises and are collateralized by a pledge consisting of the sum of the gross revenues of the specific projects. The Limited Project Revenue Bond Indenture requires UCSF to achieve the sum of gross project revenues equal to 1.1 times debt service and maintain certain other covenants. The pledge of revenues for Limited Project Revenue Bonds is subordinate to the pledge of revenues for General Revenue Bonds, but senior to pledges for commercial paper notes.

Medical Center Pooled Revenue Bonds are issued to finance UCSF Health's medical center facilities and are collateralized by a joint and several pledges of the gross revenues of all five of the University's medical centers. Medical center gross revenues are excluded from General Revenues. The Medical Center Pooled Revenue Bond Indenture requires the medical centers to set rates, charges and fees each year sufficient for the medical centers' total operating and nonoperating revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of medical center revenues for interest rate swap agreements may be at parity with, or subordinate to, Medical Center Pooled Revenue Bonds.

Capital leases

Capital leases entered into with other lessors, typically for equipment, totaled $6 million and $6 million for the years ended June 30, 2020 and 2019, respectively.

CFIA third-party obligations

Neuroscience building

UCSF and CFIA have entered into an operating agreement that governs the arrangement between the parties with respect to the development, construction and financing of the Sandler Neurosciences Center (the Center). CFIA, through a conduit issuer, issued taxable Build America Bonds (BABs) as well as tax-exempt revenue bonds to finance the Center.

UCSF entered into a ground lease with CFIA, and CFIA subleased the ground to the developer in exchange for a commitment to pay amounts equal to base rent payments that are due to the developer under the building lease between UCSF and the developer. The sublease for the land was effective on March 24, 2010 and will terminate upon expiration of the building lease base rent payments. The developer has assigned the building lease payments to CFIA's trustee, therefore, UCSF makes payments directly to CFIA's trustee to pay debt service for the Series 2010A and Series 2010B revenue bonds starting on the commencement date of the ground sublease.

Under the ground lease between UCSF and CFIA, the ground has been leased to CFIA in exchange for the federal interest subsidies that are received by CFIA for the BABs subsidy. All BABs subsidy payments received by CFIA since the commencement of the building lease payments have been paid to UCSF. This ground lease was effective on March 24, 2010 and will terminate upon expiration of the building lease.

2130 Third Street

UCSF and CFIA have entered into an operating agreement that governs the arrangement between the parties with respect to the development, construction and financing of construction and management of a clinical, training and research facility to be known as the “Child, Teen, and Family Center and Department of Psychiatry Building” (Psychiatry Building). CFIA, through a conduit issuer, issued tax-exempt revenue bonds to finance the building.

UCSF entered into a ground lease with CFIA and CFIA subleased the ground to the new developer in exchange for a commitment to pay amounts equal to base rent payments that are due to the new developer under the 2130 Third Street lease between UCSF and the developer. The sublease for the land was effective on December 14, 2017 and will terminate upon expiration of 2130 Third Street’s lease base rent payments. The new developer has also assigned 2130 Third Street’s lease payments to CFIA’s trustee; therefore, UCSF makes payment directly to CFIA’s trustee to pay debt service for the Series 2017 Series revenue bonds starting on the commencement date of the ground sublease.

Derivative financial instruments

UCSF has entered into an interest-rate swap agreement to limit the exposure to changes in market interest rates in connection with certain variable-rate Medical Center Pooled Revenue Bonds. The interest-rate swap agreement is a contractual agreement entered into between UCSF and a counterparty of fixed-and variable-rate interest payments periodically over the life of the agreement without the underlying notional principal amounts or underlying contract. The payments correspond to an equity index, interest rate or currency. The net differential to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. UCSF’s counterparties are major financial institutions.

Derivative financial instruments are recorded at fair value as either assets or liabilities in the statements of net position. Certain derivative financial instruments are determined to be hedging derivatives and designated as either a fair value or cash flow hedge. Under hedge accounting, changes in the fair value of hedging derivatives are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values). Changes in the fair value of derivatives that are not hedging derivatives are recorded as net appreciation or depreciation of investments in the statements of revenues, expenses and changes in net position.

The objectives and terms of the hedging derivative instruments outstanding at June 30, 2020 and 2019, along with the credit rating of the associated counterparty, are as follows:

(in thousands of dollars)		Notional Amount							Fair Value	
Type	Objective	2020	2019	Effective Date	Maturity Date	Cash Paid or Received	Terms	Counterparty Credit Rating	2020	2019
Pay fixed, receive variable interest-rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	$56,760		2020	2032	None	Pay fixed 3.59%; receive 58% of Federal Funds Rate plus 0.56%	Aa2/A+	($10,708)	
Pay fixed, receive variable interest-rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds		$60,485	2007	2032	None	Pay fixed 3.59%; receive 58% of 1-month LIBOR plus 0.48%	Aa2/A+		($8,319)

Hedging derivative financial instrument risk factors

Credit risk

UCSF could be exposed to credit risk if the interest rate swap counterparties to the swap contracts are unable to meet the terms of the contracts. Contracts with positive fair values are exposed to credit risk. UCSF faces a maximum possible loss equivalent to the amount of the derivative’s fair value, less any collateral held by UCSF provided by the counterparties.

Contracts with negative fair values are not exposed to credit risk. Although UCSF have entered into the interest rate swap contracts with creditworthy financial institutions, there is credit risk for losses in the event of non-performance by counterparties or unfavorable interest rate movements. There are no collateral requirements related to the swaps held by the UCSF.

Interest-rate risk

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

Basis risk

There is a risk that the basis for the variable payment received will not match the variable payment on the bonds that expose UCSF to basis risk whenever the interest rates on the bonds are reset. Interest rates on the bonds are tax-exempt interest rates, while the basis of the variable receipt on the interest rate swap is taxable. Tax-exempt interest rates can change without a corresponding change in the LIBOR rate due to factors affecting the tax-exempt market, which do not have a similar effect on the taxable market.

For example, the swaps expose UCSF to risk if reductions in the federal personal income tax rate cause the relationship between the variable interest rate on the bonds to be greater than 58.0 percent of the 30-day LIBOR, plus 0.48 percent.

Termination risk

There is termination risk for losses on the interest rate swaps classified as hedging derivatives in the event of non-performance by the counterparty 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, 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. Upon termination, UCSF may also owe a termination payment if there is a realized loss based on the fair value of each interest rate swap.

Future debt service and hedging derivative interest-rate swaps

Future debt service payments for the UCSF's fixed- and variable-rate debt for each of the five fiscal years subsequent to June 30, 2020, and thereafter, are shown below. Although not a prediction by UCSF 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 vary. Future debt service payments for each of the five fiscal years subsequent to June 30, 2020 and thereafter are shown below:

(in thousands of dollars)

	Commercial Paper	University Revenue Bonds	Capital Leases	Third-Party CFIA	Total Payments	Principal Payments	Interest Payments
2021	$93,212	$211,989	$2,211	$27,556	$334,968	$161,183	$173,785
2022		210,330	2,060	27,555	239,945	68,912	171,033
2023		212,628	1,118	27,559	241,305	73,107	168,198
2024		210,663	364	27,557	238,584	73,496	165,088
2025		211,987	58	27,560	239,605	77,742	161,863
2026-2030		1,043,724		137,344	1,181,068	427,922	753,146
2031-2035		1,026,687		134,212	1,160,899	522,303	638,596
2036-2040		939,679		130,346	1,070,025	575,067	494,958
2041-2045		849,181		125,604	974,785	645,518	329,267
2046-2050		641,912		107,148	749,060	584,928	164,132
2051-2055		99,108		21,641	120,749	40,785	79,964
Thereafter		984,632			984,632	396,620	588,012
Total future debt service	**93,212**	**6,642,520**	**5,811**	**794,082**	**7,535,625**	**$3,647,583**	**$3,888,042**
Less: Interest component of future payments		(3,472,409)	(201)	(415,432)	(3,888,042)		
Principal portion of future payments	**93,212**	**3,170,111**	**5,610**	**378,650**	**3,647,583**		
Adjusted by:							
Unamortized bond premium		146,693		35,253	181,946		
Total debt	**$93,212**	**$3,316,804**	**$5,610**	**$413,903**	**$3,829,529**		

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

Medical Center Pooled Revenue Bonds of $56 million are variable-rate demand bonds which give the debt holders the ability to tender the bonds back to the University upon demand. In 2016, the University entered into a bank standby bond purchase agreement to provide the funds for the purchase of the bonds that have been tendered and not remarketed in connection with the outstanding variable-rate demand bonds. The standby bond purchase agreement was terminated in 2017 and the University will provide its own liquidity in connection with mandatory and optional tenders and remarketing of these bonds. It does not plan to provide any third-party liquidity facility to support this obligation.

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

(in thousands of dollars)

	Variable-Rate Bond			
	Principal	Interest	Interest Rate Swap, Net	Total Payments
Year Ending June 30,				
2021	$3,860	$38	$1,682	$5,580
2022	3,995	37	1,567	5,599
2023	4,145	34	1,447	5,626
2024	4,290	31	1,330	5,651
2025	4,450	28	1,193	5,671
2026-2030	24,800	92	3,896	28,788
2031-2032	11,220	12	487	11,719
Total	**$56,760**	**$272**	**$11,602**	**$68,634**

9. Self-Insurance and Other Liabilities

Self-insurance programs

The University is self-insured for medical malpractice, workers' compensation, employee health care and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded by the University when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred but not reported. The University charges UCSF predetermined premium rates applied to payroll and other expenses. These amounts are reflected as operating expenses in UCSF's statements of revenues, expenses and changes in net position. UCSF's financial statements do not reflect any liability amounts for self-insurance claims, as these estimated liabilities are recorded by the University.

UCSF Health is self-insured for medical malpractice, workers' compensation and employee health care. Self-insurance liability totaled $17 million and $19 million at June 30, 2020 and 2019, respectively.

Other liabilities

UCSF's other liabilities at June 30, 2020 and 2019 are as follows:

(in thousands of dollars)	2020		2019	
	Current	Noncurrent	Current	Noncurrent
Vacation leave	$139,810	$39,389	$109,784	$35,466
Deferred revenue		5,817		6,180
Other	257,257	22,640	4,558	10,615
Accrued interest	21,250		20,028	
Interfund payables	2,252		2,577	
Interest-rate swap agreements		10,708	6,524	8,319
Deferred rent	2,253	8	7,049	2,337
Total other liabilities	**$422,822**	**$78,562**	**$150,520**	**$62,917**

Foundation's other liabilities at June 30, 2020 and 2019 are as follows:

(in thousands of dollars)	2020		2019	
	Current	Noncurrent	Current	Noncurrent
Payable to UCSF	$65,367		$28,913	
Other		$10,115		$486
Total other liabilities	**$65,367**	**$10,115**	**$28,913**	**$486**

10. Deferred Outflows and Inflows of Resources

The composition of deferred outflows and inflows of resources at June 30, 2020 and 2019 is summarized as follows:

(in thousands of dollars)	2020	2019
DEFERRED OUTFLOW OF RESOURCES		
Net pension liability	$1,453,433	$1,284,824
Net retiree health benefits liability	1,738,667	1,046,901
Loss on debt refunding	11,561	12,442
Interest rate swap agreements	10,708	8,320
Total deferred outflows	**$3,214,369**	**$2,352,487**
DEFERRED INFLOW OF RESOURCES		
Net pension liability	$58,053	$45,667
Net retiree health benefits liability	1,275,171	1,177,816
Irrevocable split-interest agreement	17,608	15,951
Total deferred inflows	**$1,350,832**	**$1,239,434**

11. Retirement Plans

Most University employees participate in UCRS. UCRS consists of UCRP, a defined benefit plan funded with University and employee contributions; UCRSP, which includes defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee non-elective and elective contributions; UC-VERIP, a defined benefit plan for University employees who were members of PERS and who elected early retirement; and the Children's Hospital and Research Center Oakland Pension Plan (CHRCO Pension Plan), a defined benefit plan fully funded with CHRCO contributions. The Regents has the authority to establish and amend the benefit plans except for the CHRCO Pension Plan. Administration authority with respect to UCRS plans is vested with the President of the University as plan administrator. CHRCO administers the CHRCO Pension Plan as the Sponsor and plan assets are held by US Bank (the Trustee). Additional information on the retirement plans can be obtained from the 2019-2020 annual reports of the University of California Retirement System which can be obtained at http://reportingtransparency.universityofcalifornia.edu.

Contributions

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

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

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

The University's membership in UCRP for the campuses and medical centers at June 30, 2020 was 290,540 total members consisting of 67,647 retirees and beneficiaries receiving benefits, 90,464 inactive members entitled to but not yet receiving benefits, 78,786 active vested members and 53,643 active nonvested members.

The net position held in trust for pension benefits attributable to UCRP included in the UCRP Statement of Plan Fiduciary Net Position was $71 billion and $70 billion at June 30, 2020 and June 30, 2019, respectively. Total pension liability was $93 billion and $88 billion, resulting in a net pension liability of $22 billion and $18 billion at June 30, 2020 and 2019, respectively.

Net pension liability

UCSF's net pension liability was measured as of June 30 and was calculated using the plan net position valued as of the measurement date and total pension liability determined based upon rolling forward the total pension liability from the results of the actuarial valuations as of July 1, one year prior to the measurement date. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future.

UCSF's net pension liability was calculated using the following methods and assumptions:

(shown in percentages)	2020	2019
Inflation	2.5 %	2.5 %
Investment rate of return	6.75	6.75
Projected salary increases	3.7-6.0	3.7-6.0
Cost-of-living adjustments	2	2

Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used as of June 30, 2020 and 2019 were based upon the results of the most recent experience study covering for the period of July 1, 2014 through June 30, 2018. For active members, inactive members and healthy retirees, the RP-2014 White Collar Mortality Tables are used (separate tables for males and females), projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set forward one year. For disabled members, rates are based on the RP-2014 Disabled Retiree Mortality Table, projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set back one year for males and set forward five years for females.

The long-term expected investment rate of return assumption for UCRP was determined in 2015 based on 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 investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2020 and 2019 are summarized in the following table:

(shown in percentages)	Target Allocation	Long-Term Expected Real Rate of Return
ASSET CLASS		
U.S. equity	27.6 %	5.6 %
Developed international equity	16.8	6.5
Emerging market equity	5.6	8.6
Core bonds	13.0	1.5
High yield bonds	2.5	3.7
TIPS	2.0	1.2
Emerging market debt	2.5	3.9
Private equity	10.0	9.2
Real Estate	7.0	6.6
Absolute return	10.0	3.3
Real assets	3.0	5.6
Total	**100.0 %**	**5.4 %**

Discount rate

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

Sensitivity of the net pension liability to the discount rate assumption

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

(in thousands of dollars)	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
UCSF Health	$3,157,024	$2,022,619	$1,089,227
Campus	2,907,909	1,863,018	1,003,278
Total	**$6,064,933**	**$3,885,637**	**$2,092,505**

Deferred outflows of resources and deferred inflows of resources

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources for the years ended June 30:

(in thousands of dollars)		2020		2019
	UCSF Health (excl BCHO)	Campus	Total	Total
DEFERRED OUTFLOWS OF RESOURCES				
Changes of assumptions or other inputs	$415,399	$382,621	$798,020	$1,083,367
Net difference between projected and actual earnings on pension plan investments	207,169	190,822	397,991	
Changes in proportion and differences between location's contributions and proportionate share of contributions	80,970	13,802	94,772	96,496
Difference between expected and actual experience	30,718	28,294	59,012	84,437
Total deferred outflows of resources	**$734,256**	**$615,539**	**$1,349,795**	**$1,264,300**
DEFERRED INFLOWS OF RESOURCES				
Difference between expected and actual experience	$22,834	$21,032	$43,866	$11,325
Net difference between projected and actual earnings on pension plan investments				10,912
Changes in proportion and differences between location's contributions and proportionate share of contributions		7,352	7,352	14,388
Total deferred inflows of resources	**$22,834**	**$28,384**	**$51,218**	**$36,625**

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

(in thousands of dollars)	UCSF Health (excl BCHO)	Campus	Total
Year ending June 30,			
2021	$190,190	$145,300	$335,490
2022	243,952	204,482	448,434
2023	213,093	185,547	398,640
2024	64,187	51,826	116,013
Thereafter			
Total	**$711,422**	**$587,155**	**$1,298,577**

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

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

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

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

CHRCO recognized pension expense of $43 million and $27 million for the years ended June 30, 2020 and 2019, respectively.

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

Additional information on the CHRCO Pension Plan can be found in the annual reports, which can be obtained by contacting CHRCO.

Membership in the CHRCO plan at June 30, 2020 was 4,269 total members consisting of 1,116 retirees and beneficiaries receiving benefits, 1,140 inactive members entitled to but yet not receiving benefits and 2,013 active members.

Contributions

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

CHRCO net pension liability

The net pension liability for CHRCO was measured as of June 30, 2020 and 2019 and the total pension liability was determined by an actuarial valuation as of January 1, 2020 and 2019 rolled forward to June 30, 2020 and 2019, respectively. 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 are as follows:

(shown in percentages)	Portfolio Percentage	Long-Term Expected Real Rate of Return
ASSET CLASS		
U.S. equity	50.0 %	4.2 %
Developed international equity	15.0	4.3
Emerging market equity	2.5	5.6
Core fixed income	32.5	1.1
Total	**100.0 %**	

CHRCO discount rate

The discount rate used to measure the total pension liability was 6.5 percent and 7 percent for June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumes that CHRCO will make contributions to the Plan under IRC Section 430’s minimum requirements for a period of thirteen years, and that all future assumptions are met. Based on these assumptions, the pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments for current active and inactive employees.

CHRCO sensitivity of the net pension liability to the discount rate assumption

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

(in thousands of dollars)	1% Decrease (5.5)%	Current Discount (6.5)%	1% Increase (7.5)%
Net pension liability (asset)	$176,527	$92,434	$23,163

CHRCO deferred outflows of resources and deferred inflows of resources

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

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

University of California Retirement Savings Program (UCRSP)

UCRSP includes four defined contribution plans providing savings incentives and additional retirement security for all eligible employees:

- Defined Contribution Plans (Defined Contribution Plan and Supplemental Defined Contribution Plan)
- Tax Deferred 403(b) Plan
- 457(b) Deferred Compensation Plan
- University of California Public Employees Retirement System-Voluntary Early Retirement Incentive Program Plan (PERS-VERIP)

The Defined Contribution Plan accepts both pre-tax and after-tax employee contributions. The Supplemental Defined Contribution Plan accepts employer contributions on behalf of certain qualifying employees. The 403(b) and 457(b) Plans accept pre-tax employee contributions, and UCSF may also make contributions on behalf of certain members of management. PERS-VERIP is a defined benefit plan providing lifetime supplemental retirement income and survivor benefits. Benefits from the plans are based on participants’ mandatory and voluntary contributions, plus earnings, and are immediately vested.

Information related to plan assets and liabilities for UCSF is not readily available. Additional information on the retirement plans can be obtained from the 2019-2020 Annual Reports of the University of California Retirement Plan, the University of California Retirement Savings Program, and the University of California PERS-VERIP at https://www.ucop.edu/financial-accounting/financial-reports/retirement-system-annual-reports.html.

12. Retiree Health Plans

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees (and their eligible family members) of the University of California and its affiliates through the University of California Retiree Health Benefit Trust (UCRHBT). The Regents has the authority to establish and amend the plan.

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. The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees. UCRHBT reimburses the University for these amounts. Additional information on the retiree health plans can be obtained from the 2019-2020 annual reports of the University of California at http://reportingtransparency.universityofcalifornia.edu/.

Benefits

Retirees are eligible for medical and dental benefits. The costs of the medical and dental benefits are shared between the University and the retiree. The University does not contribute toward the cost of other benefits available to retirees. Retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University's contribution based on age and years of service. Retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least 5 years of service. Retirees employed by the University after 1989 are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50 percent of the maximum University contribution, increasing to 100 percent after 20 years of service. Retirees pay the excess, if any, of the premium over the applicable portion of the University's contribution.

Contributions

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

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

Net Retiree Health Benefits Liability

UCSF's proportionate share of the University's net retiree health benefits liability as of June 30 is as follows:

(in thousands of dollars)	2020		2019	
	Proportion of net retiree health benefits liability	Proportionate share of net retiree health benefits liability	Proportion of net retiree health benefits liability	Proportionate share of net retiree health benefits liability
UCSF Health (excl. BCHO)	10.6 %	$2,463,690	10.1 %	$1,945,198
Campus	8.9	2,071,823	8.8	1,697,568
Total	**19.5 %**	**$4,535,513**	**18.9 %**	**$3,642,766**

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

Significant actuarial methods and assumptions used to calculate the University's net retiree health benefits liability were:

(shown in percentages)	2020	2019
Discount rate	2.2%	3.5%
Inflation	2.5	2.5
Investment rate of return	2.5	2.5
Projected salary increases	3.65 - 5.95	3.65 - 5.95
Health care cost trend rates	Initially ranges from 2.7 to 9.0 decreasing to an ultimate rate of 4.0 for 2076 and later years	Initially ranges from 4.4 to 9.4 decreasing to an ultimate rate of 4.0 for 2077 and later years

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

Sensitivity of net retiree health benefits liability to health care cost trend rate

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

(in thousands of dollars)	1% Decrease	Current Discount	1% Increase
	(1.7% TO 8.0%) Decreasing to (3.0%)	(2.7% TO 9.0%) Decreasing to (4.0%)	(3.7% TO 10.0%) Decreasing to (5.0%)
UCSF Health	$1,996,133	$2,463,690	$3,095,405
Campus	1,678,635	2,071,823	2,603,060
Total	**$3,674,768**	**$4,535,513**	**$5,698,465**

Discount rate

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

Sensitivity of net retiree benefits liability to the discount rate assumption

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

(in thousands of dollars)	1% Decrease	Current Discount	1% Increase
	(1.21)%	(2.21)%	(3.21)%
UCSF Health	$2,986,005	$2,463,690	$2,057,511
Campus	2,511,061	2,071,823	1,730,250
Total	**$5,497,066**	**$4,535,513**	**$3,787,761**

Deferred outflows of resources and deferred inflows of resources

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

(in thousands of dollars)	2020			2019
	UCSF Health (excl. BCHO)	Campus	Total	Total
DEFERRED OUTFLOWS OF RESOURCES				
Changes in proportion and differences between location's contributions and proportionate share of contributions	$320,702	$78,183	$398,885	$325,506
Changes of assumptions or other inputs	721,656	606,872	1,328,528	708,571
Net difference between projected and actual earnings on plan investments	335	282	617	610
Difference between expected and actual experience	5,778	4,859	10,637	12,214
Total deferred outflows of resources	**$1,048,471**	**$690,196**	**$1,738,667**	**$1,046,901**
DEFERRED INFLOWS OF RESOURCES				
Changes in proportion and differences between location's contributions and proportionate share of contributions		$75,436	$75,436	$89,702
Changes of assumptions or other inputs	248,782	209,211	457,993	526,057
Difference between expected and actual experience	402,914	338,828	741,742	562,057
Total deferred inflows of resources	**$651,696**	**$623,475**	**$1,275,171**	**$1,177,816**

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

(in thousands of dollars)	UCSF Health (excl. BCHO)	Campus	Total
Year ending June 30,			
2021	$65,955	$6,520	$72,475
2022	65,910	6,483	72,393
2023	65,869	6,448	72,317
2024	53,270	(4,147)	49,123
2025	28,044	(20,128)	7,916
Thereafter	117,727	71,545	189,272
Total	**$396,775**	**$66,721**	**$463,496**

13. Endowments and Foundation Gifts

Endowments and gifts are administered either by the University, UCSF Foundation or BCHO Foundation.

The book value and market value for endowments for the years ended June 30, 2020 and 2019 are as follows:

(in thousands of dollars)	2020		2019	
	Book Value	Market Value	Book Value	Market Value
Endowments - The Regents	$1,203,856	$2,236,755	$1,069,153	$2,045,984
Endowments - The Foundation	1,537,312	1,779,820	1,356,021	1,602,091
Endowments - BCHO Foundation	239,883	245,192	237,114	243,152
Total endowments	**$2,981,051**	**$4,261,767**	**$2,662,288**	**$3,891,227**

The University's endowment income distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution provided by dividend and interest income and by capital gains may vary significantly from year to year. The University's policy is to retain the realized and unrealized appreciation with the endowment after the annual income distribution has been made.

As a result of market volatility, the market value of some permanent endowments can be less than the historical gift value of such endowments. The underwater amount of such endowments was $0.8 million and $0.2 million at June 30, 2020 and 2019, respectively. Under UPMIFA, investment income and accumulated realized and unrealized gains may be expended in support of the operational requirements of UCSF programs.

14. Segment Information

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

Condensed financial statement information for UCSF Health is as follows:

(in thousands of dollars)	2020	2019
Revenue bonds outstanding	$1,303,044	$906,245
Related debt service payments	57,240	56,641
Bonds due serially through	2,120	2,049
CONDENSED STATEMENTS OF NET POSITION		
ASSETS		
Current assets	2,358,746	1,896,612
Capital assets, net	2,491,244	2,427,895
Other assets	762,514	334,053
Total assets	**5,612,504**	**4,658,560**
DEFERRED OUTFLOWS OF RESOURCES	1,897,311	1,352,434
LIABILITIES		
Current liabilities	1,059,403	708,871
Long-term debt	1,299,005	917,096
Pension obligations	2,594,941	2,086,802
Retiree health benefits obligations	2,463,690	1,945,198
Other noncurrent liabilities	49,572	38,505
Total liabilities	**7,466,611**	**5,696,472**
DEFERRED INFLOWS OF RESOURCES	698,973	617,396
NET POSITION		
Net investment in capital assets	1,572,954	1,505,229
Restricted	121,533	97,383
Unrestricted	(2,350,256)	(1,905,486)
Total net position	**($655,769)**	**($302,874)**

(in thousands of dollars)	2020	2019
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN POSITION		
Operating revenues	$5,072,342	$4,819,214
Operating expenses	(5,356,885)	(4,746,178)
Depreciation expense	(203,299)	(212,222)
Operating loss	**(487,842)**	**(139,186)**
Nonoperating revenue	200,945	44,172
Loss before other changes in net position	**(286,897)**	**(95,014)**
Health systems support	(121,192)	(146,232)
Changes in allocation for pension payable to University	830	(14,359)
Other, including donated assets	54,364	127,498
Decrease in net position	**(352,895)**	**(128,107)**
NET POSITION		
Beginning of year	(302,874)	(174,767)
End of year	**($655,769)**	**($302,874)**

(in thousands of dollars)	2020	2019
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	$600,550	$431,764
Noncapital financing activities	96,812	(105,869)
Capital and related financing activities	124,711	(176,740)
Investing activities	(410,432)	(25,986)
Net increase in cash	**411,641**	**123,169**
Cash and cash equivalents, beginning of year	946,580	823,411
Cash and cash equivalents, end of year	**$1,358,221**	**$946,580**

15. Commitments and Contingencies

Contractual Commitments

UCSF have entered into various construction contracts. The remaining costs of UCSF projects, excluding interest, as of June 30, 2020 are estimated to be approximately $402 million.

Under an agreement with a private, non-profit hospital, UCSF Health paid in contributions $90 million in aggregate capital investments through a series of newly formed joint ventures with the hospital over the course of the initial 10 years of the agreement. As of June 30, 2020, UCSF Medical Center deposited $30 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 non-profit hospital.

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

(in thousands of dollars)	UCSF
Year Ending June 30,	
2021	$66,918
2022	54,710
2023	44,734
2024	40,155
2025	29,372
Thereafter	113,252
Total	**$349,141**

Contingencies

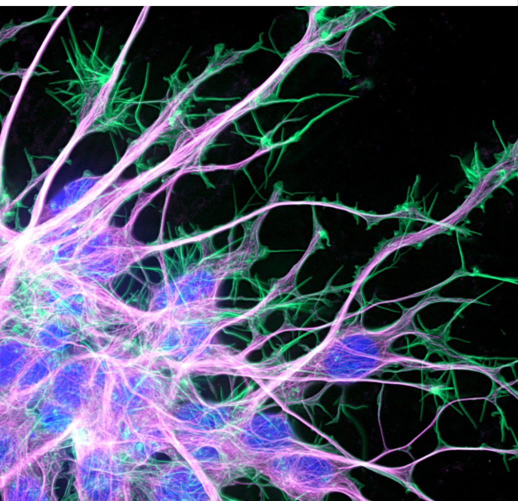
Substantial amounts are received and expended by the University, including its medical centers, under federal and state programs, and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, medical center operations and other programs. UCSF management believes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

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

16. Operating Expenses by Function

Operating expenses, by functional classification, for the years ended June 30 are as follows:

(in thousands of dollars)	2020	2019
Instruction	$428,269	$394,972
Research	1,373,433	1,286,273
Public service	186,466	166,678
Academic support	467,607	349,087
Student services	34,110	33,468
Institutional support	283,280	252,118
Operations and maintenance of plant	45,724	66,399
Student financial aid	26,888	26,036
Medical center	5,339,151	4,769,129
Auxiliary enterprises	50,198	42,718
Depreciation	349,802	348,868
Impairment of capital assets	870	30
Total operating expenses	**$8,585,798**	**$7,735,776**



The UCSF 2020 Annual Financial Report was prepared by the Controller's Office of the University of California, San Francisco and is available online at: http://controller.ucsf.edu/fin_statements

Consolidated Audited Financial Reports and A-133 Audit Reports for the University of California are located at: http://reportingtransparency.universityofcalifornia.edu